

Australia	100.00	100.00	100.00
Belgium	100.00	100.00	100.00
Canada	100.00	100.00	100.00
France	100.00	100.00	100.00
Germany	100.00	100.00	100.00
Italy	100.00	100.00	100.00
Japan	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00
Spain	100.00	100.00	100.00
Sweden	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00
UK	100.00	100.00	100.00
USA	100.00	100.00	100.00

# FINANCIAL TIMES

**CHINA**  
Dynasties take long march to feudalism  
Page 10

No.31,011

Wednesday November 29 1989

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## World News

### EC agrees to create environment watchdog

The European Community agreed at a Brussels meeting on the scope and authority of a European Environment Agency and member states were hiding to capture its prestigious planned headquarters. Page 20

### Bush cools summit

US President George Bush sought to reassure allies by lowering expectations about what might be agreed about troop levels at his meeting with Soviet President Mikhail Gorbachev. Page 7

### Armenians walk out

The Soviet parliament restored most of Azerbaijan's powers over the disputed territory of Nagorno-Karabakh, angering Armenian deputies who walked out of the chamber. Page 4

### US crane topples

A huge construction crane toppled at the building site of the Federal Home Loan Bank under construction in San Francisco's financial district, killing at least six people. Page 10

### Efforts to save Aoun

France and the Vatican were making diplomatic efforts to save Gen Michel Aoun, Christian Lebanese leader, following an overnight build-up of Syrian military strength around East Beirut. Page 4

### Ease EC borders call

The UK and Italy face mounting pressure to agree to remove border controls for EC nationals. Page 2

### Warning to Nato

European members of Nato should not count on making the same kind of savings on defence costs as those planned by the US, Mr Gorbachev told West German Defence Minister, warned. Page 3

### Hungary plea to IMF

The head of the Hungarian central bank, Mr Ferenc Bartha, said the International Monetary Fund would have to show greater flexibility in its negotiations with Hungary. Page 2

### Moscow link sought

S. Korea has an "ardent desire" to establish full diplomatic relations with the Soviet Union and other European countries, according to President Roh Tae Woo. Page 6

### EC haulage threat

Member states of the European Community will face court action if they fail to take "significant steps" next week to open their domestic road haulage markets to outside competition. Page 2

### SA cabinet boost

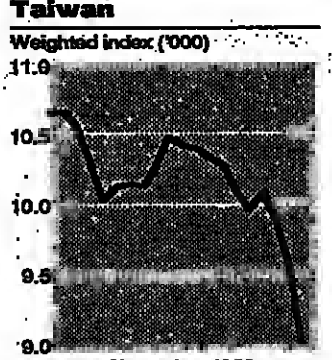
Mr F.W. de Klerk, South African president, is to strengthen his cabinet's authority by curbing the powers of security officials appointed by Mr P.W. Botha. Page 4

## Business Summary

### Suez and Baltica in financial alliance

Compagnie Financière de Suez, fast-moving French financial group, and Baltica Holding, Denmark's largest insurance-based financial services company, announced a DKR4.2bn (\$81m) agreement to cement what the Danish group called Europe's largest financial alliance. Page 21

### TAIWAN suffers its sharpest one-day fall ever as confidence wanes in the face of national and local elections on Saturday. The weighted



index lost 547.96 points, or 5.7 per cent, to 9,040.00 - its lowest level since July 28. Page 20; Markets; Section II

### OPEC meeting in Vienna

reached agreement on a production accord for the New Year that lifts Opec's official production ceiling by 1.5m barrels a day to 22m b/d. Commodities. Page 22

### SMITHKLINE Beecham

Anglo-American pharmaceutical company, received permission from the US Government to start selling its Esmine heart-attack drug in the US. Page 21

### STEPHEN Walls

former managing director of Plessey, electronics company which succeeded to a £2bn (\$3.2bn) bid from General Electric Company and Siemens, is to head the pulp and paper interests of BAT Industries, tobacco conglomerate. Page 21

### AMERICAN Airlines

largest US airline, is negotiating a co-operation agreement with a consortium of leading European airlines to link its Sabre computer reservation system with the European Amadeus reservation network. Page 22

### J. WALTER Thompson

old established advertising agency, is celebrating its 125th birthday by winning back the part of the \$60m advertising account for Goodyear Tire and Rubber in the US, which it lost two years ago. Page 24

### AKER, big Norwegian industrial group

is spending Nkr1.9bn (\$277m) to boost its shareholding from 11.8 per cent to 24.8 per cent in Valenciana de Cementos Portland, Spain's cement producer. Page 22

### MEKICO: Two leading Mexican financial institutions

Banamex and Nafinsa, concluded an agreement with the EC aimed at joint ventures. Page 6

### BOND Media

Australian television and radio company controlled by Mr Alan Bond, queried by the stock exchange over a sudden share price fall. Page 23

### DENMARK'S current account

is forecast to return to surplus in 1991 for the first time since 1988, according to the country's Economic Advisory Council. Page 8

## Coalition Government to be proposed by Sunday ● Assembly will discuss transition

# Czechs pave the way for free elections

By John Lloyd, Judy Dempsey and Leslie Collitt in Prague

DEMOCRATIC REFORM swept into Czechoslovakia yesterday as the pillars of the Communist one-party state collapsed after 11 days of demonstrations and Monday's two-hour general strike.

A new coalition Government of Communist and non-Communists is to be presented to President Gustav Husak on Sunday by Mr Ladislav Adamec, the Prime Minister.

The Federal Assembly will today begin to discuss a new constitution paving the way for free elections and a multi-party system.

Yesterday's dramatic developments came just 12 days after the first mass demonstration on November 17. The peaceful but insistent pressure ended 41 years of Communist rule and 21 years of renewed totalitarianism after the brief, doomed liberalisation of the "Prague Spring" in 1968.

A great wedge of territory in the centre of Europe, home to 10m people, has, in less than a year, seen a remarkable transition. Poland, East Germany, Czechoslovakia and Hungary are now part of the way down the road to open societies and economies - apparently irreversibly.

The Czechoslovakian Government's moves were announced after two hours of talks between the Government, led by Mr Adamec, and the newly-emerged Civic Forum reform movement led by Mr Vaclav Havel, the dissident playwright.

Mr Adamec told the opposition representatives that he would ask the Federal Assembly to:

- End the "leading role" of the Communist Party, guaranteed by Article 4 of the Constitution.
- Drop the Party's dominant position within the National Front - comprising the Communist Party, associated Socialist and Peoples parties and other Communist-led social groups.
- End the hegemony of Marxism-Leninism over all education, replacing it with "scientific and humanistic" values.
- Provide facilities for the Civic Forum, whose branches are spreading everywhere.

Civic Forum said at a press conference last night that all of its demands had not yet been met. Some 30 political prisoners remain in jail and their release is urgently demanded. In addition, Civic Forum said it had sent a letter to the USSR Supreme Soviet and Central Committee asking them to denounce the 1968 invasion of Czechoslovakia.

Civic Forum has warned that fresh strikes and mass demonstrations could be organised at any time. The committees which organised Monday's strike are to become branches of the Civic Forum.

The "government of experts" called for by the opposition group on Monday will draw its members from the rapidly growing reform wing of the Communist Party, from the Communist Party, from the Communist Party, from the Communist Party, from the Communist Party.

Mr Adamec said the opposition representatives that he



West German Chancellor Helmut Kohl (right), with Foreign Minister Hans-Dietrich Genscher, prepares to address parliament yesterday

## Kohl's vision of German unity

By David Goodhart in Bonn

CHANCELLOR Helmut Kohl yesterday outlined his vision of the communist state in two stages: emergency aid with few conditions followed by more comprehensive aid dependent on irreversible economic and political reform.

Mr Kohl told the West German Parliament: "Nobody knows exactly what a reunified Germany would look like. However that unity will come... of that I am sure."

Mr Egon Kreuz, the East German leader, said yesterday he was prepared to discuss Mr Kohl's idea of a loose German "federation". But he insisted that the two German

states should remain sovereign, and said unity was "not on the agenda."

Mr Kohl is expected to visit East Germany on December 19 one day before Mr François Mitterrand, the French President.

The Kohl plan takes up a proposal that has been endorsed by Mr Hans Modrow, the East German Prime Minister, for a "treaty-based community" between the two states which would breathe new life into existing inter-government committees and create many new ones.

Mr Kohl said that the proposal should be discussed with the Soviet Union.

## Soviets sign big joint-venture deal with Fiat

By John Wyles in Rome

THE SOVIET UNION yesterday signed its largest joint-venture agreement with a single Western company, allowing Italy's Fiat Group to join forces with the Soviet state in a \$1,900m (\$1.9bn) investment to produce 300,000 small cars a year.

The deal confirms Fiat in the position it first secured as Moscow's favoured Western auto company in 1986 when it was chosen to construct the Vas car plant at Togliatti.

With a 30 per cent stake in the joint venture, the Turin-based group is set to become

the first foreign owner-producer of cars in the Soviet Union. Fiat also earns the right to market outside the Soviet Union up to one third of the annual output of the plant at Togliatti, 1,000 miles south-east of Moscow.

The Fiat deal coincided with the announcement by the US of a new agreement to create the largest joint venture, in its first phase worth \$2bn, in the Soviet Union. This is to produce petrochemical products at Tobolsk in Western Siberia.

Yesterday's announcement by Fiat was strikingly similar to that for the arrival in Rome today of the Soviet leader, Mr Mikhail Gorbachev, at the start of a three-day visit including talks with the Italian government, a meeting with the Pope in the Vatican on Friday and the signing of a dozen or more deals between Italian companies and their Soviet counterparts.

Mr Cesare Romiti, the Fiat managing director, and Mr Nikolai A. Furgal, the Soviet Minister for Automobiles and

Agricultural Machinery, said that the new Yelabuga plant would start production around the end of 1990 and beginning of 1991. Its product would be a "new and original design", said Mr Romiti, of a two and four door saloon powered by a 1,900cc engine.

The Fiat chief claimed that the new venture would be capable of returning a 6 per cent gross profit on sales.

In an attempt to step around problems posed by the non-convertibility of the rouble, the Yelabuga plant will

become what he called "a currency enclave." This means that its general accounts, cost analyses and sales will be denominated in European Currency Units the basket of European Community member currencies. Revenues from foreign sales, meanwhile, will fund Fiat's dividends.

While the new joint venture will concentrate on producing body pressings to final assembly, engine and transmission manufacturing will be performed by a Soviet entity. Fiat drives east, Page 8

## AMP takes control of Pearl in biggest UK insurance takeover

By Ray Bashford in London

AUSTRALIAN Mutual Provident yesterday clinched the biggest ever takeover in the UK insurance industry when it seized control of Pearl Group through further heavy buying on the share market.

Ending a 125-year history of independence for Pearl, Australia's largest insurance company increased its holding in the company from 44.9 per cent to 55.3 per cent after an eight-week takeover battle.

AMP flushed out several key institutional holders in the morning with its offer of 690p a share and support from institutions swelled during the afternoon, allowing the company to buy a total of 17.5m shares in the session.

Mr Ian Salmon, chief of the AMP's international operations, said that the victory showed that the City accepted its argument that the £12bn offer fully values the company.

"The City is a hard judge and we are pleased with its decision," he said. "We are

going to make sure that the Pearl becomes a much more dynamic company and recovers its market position."

Mr Eimund Holland, the chairman of Pearl, was unavailable for comment but is expected to release a statement this morning.

The victory advances significantly AMP's plan to reduce its dependence on the Australian market, where scope for growth is relatively limited.

The takeover also allows the company to take a major step towards its goal of capturing a 5 per cent stake of the UK life assurance market by the end of 1991, as measured in terms of new business.

This plan was spelled out during its fight for control of London Life, the mutual life insurer, which succeeded in March this year.

Pearl is estimated to have about 3.5 per cent of this market and coupled with the stake gained through the London Life takeover, AMP already has about a 4 per cent share.

Mr Salmon said that the slice of the market would be increased further in part through increased management efficiency and more aggressive marketing of the company's products.

He added that Pearl would be used as a base for Continental European development, most likely through cross-border joint ventures in marketing.

The AMP launched its first offer of 605p a share while holding an 18 per cent stake and moved quickly earlier this month to take its stake to 38 per cent after lifting the bid to 690p a share.

The 13 per cent of the holding was bought in as a block at significantly below its final offer price. AMP is believed to have paid an average of between 635p and 640p a share, meaning that it will have paid a maximum of £1.15bn for the company.

Pearl's shares eased 3p yesterday to close at 685p.

## MARKETS

**STERLING**  
New York headline: \$1.5675  
London: \$1.5625 (1.5800)  
DM2.7825 (same)  
FF9.535 (9.5375)  
SF2.4925 (2.5000)  
Y224.5 (223.75)  
£ Index 86.3 (86.2)

**GOLD**  
New York: Comex Dec \$413.5 (414.1)  
London: \$410.75 (411.25)

**US DOLLAR** (Argus)  
Brent 15-day Jan \$18.20 (18.425)

Chief price changes yesterday: Page 21

**DOLLAR**  
New York headline: DM1.7785  
London: FF16.076  
SF11.5875  
Y143.595  
London: DM1.767 (1.79)  
FF16.1025 (16.125)  
SF11.5855 (11.6045)  
Y143.7 (143.55)

\$ Index 89.2 (89.1)  
Tokyo close: ¥143.65

**US LUNCHTIME RATES**  
Fed Funds 9 1/4 %  
3-mo Treasury Bill: yield: 7.93 %  
Long Bond: 10 1/2 %  
yield: 7.915 %

**STOCK INDICES**  
FTSE 100: 2,242 (+17.7)  
FT Ordinary: 1,788.3 (+15.1)  
FT-AI-Share: 1,123.82 (+0.8%)  
DJ Ind. Av.: 2,897.1 (+2.13)  
S&P Comp: 345.55 (-0.06)  
Tokyo Nikkei: 86,997.18 (+103.77)

**LONDON MONEY**  
3-month interbank: closing 15 1/2 % (same)  
18m term gilt future: Dec 90: 90 1/2 (90 1/2)

## CONTENTS

**Rajiv Gandhi, a premier brought down by deep insecurities**  
Five years ago, Rajiv Gandhi won the largest landslide achieved by any Indian Prime Minister. This week he suffered one of the worst defeats in his party's history. In between lies a tale of good intentions gone wrong. Page 4

**US-Soviet summit: Malta moves heaven and earth for a mighty occasion** 3  
**World insurance industry: Insurers get the wind up their tails** 7  
**Editorial comment: Unity by degrees; Short-changing the taxpayer** 18  
**Fund management acquisitions: Courted by many suitors** 19  
**Japanese financial markets: Needed: bolder steps towards freer access** 19  
**Lex: Pearl, Rover, Argyll, Allied, Lowndes Queensway** 20  
**Technology: Compact discs - moving to the beat of a different mix** 31

32 Financial Futures  
32 Gold  
25.28 International bonds  
25.28 Int'l Capital Markets  
19 Letters  
20 Loss  
20 Management  
24 Money Markets  
20 Observer

23 Agriculture  
24 Arts-Reviews  
7 World Guides  
23 Commercial Law  
25 Commodities  
25 Crossword  
8 Currency  
5 Editorial Comment  
5 Euro-options

40 Raw Materials  
32 Stock Markets  
41 -Wall Street  
41-43 -London  
37-39 -Technology  
31 Unit Trusts  
34-37 Weather  
20 World Index

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EUROPEAN NEWS

EC states face court threat on road haulage

By Tim Dickson in Brussels

MEMBER states of the European Community will face court action if they fail to take "significant steps" next week to open their domestic road haulage markets to outside competition.

The threat was delivered yesterday by Mr Karel van Miert, the EC's Transport Commissioner, who said the issue was a "vital precedent" for liberalisation in other transport areas, notably aviation and shipping.

Speaking before Monday's important meeting of EC transport ministers in Brussels, he said the Commission had shown considerable patience in negotiations over its proposal for a package of road haulage "cabotage" - the freedom, currently denied, for non-residents in a member state to offer transport services within that country's borders.

Successive discussions in the European Council have failed to break the deadlock over what many in Brussels see as an essential development if the EC is to achieve a genuinely single market in road transport. But, as Mr van Miert pointed out yesterday, a ruling by the European Court of Justice in 1986 made clear that cabotage is an obligation under the Treaty of Rome, the EC's founding charter, and that member states were duty bound to introduce it "within a reasonable timespan".

That reasonable delay is over, Mr van Miert insisted, and "if there is not a first significant step in the [cabotage] direction next Monday and Tuesday I do not think that the Commission can do otherwise than to go back to the Court."

He added: "I would much prefer that we go ahead in the normal way with agreement between ministers but if there is no progress the Court of Justice will have to make transport policy."

Mr van Miert's determined stance, reminiscent of the tactics used by Mr Peter Sutherland, the former competition commissioner, to force through the so-called "first package" of deregulation in aviation, comes amid signs that the French Government is softening its intransigent approach.

Mr Michel Delabarre, the French Transport Minister, in his capacity as president of the EC Transport Council, was last month promoting a much more cautious alternative to the ideas tabled on cabotage and almost agreed under the previous Spanish presidency. Recent discussions, however, suggest that up to 11 member states (including France) may now be prepared to back an experimental scheme involving around 5,000 cabotage licences, valid for three months.

UK, Italy face border control pressure

By Charles Leadbeater

THE United Kingdom and Italy will soon come under mounting pressure to agree to remove border controls for EC nationals travelling within the community, it was predicted yesterday.

Mr Riccardo Perissich, deputy director general for the internal market programme, said in London that pressure would follow an agreement due to be signed on December 15 between France, West Germany and the Benelux countries, removing controls in

their five countries. This would force the UK and Italy to choose between extending the reach of the agreement or accepting that they would join the slower portion of a two-speed Europe. The UK has said controls would still be needed as a check on drug smuggling and the movement of terrorists, and because of problems with indirect taxes.

The other main issue which stands in the way of the abolition of border controls is the lack of harmonisation of indirect taxes. This issue has not been dealt with in the so-called Schengen convention between the five countries. However, Mr Perissich praised the UK for being one of the most efficient countries in implementing EC legislation covered by the internal market programme. He said a survey, due to be published in the next few days would probably show that Denmark was the most efficient, with the UK and France close behind.

Hungarians want more flexibility from IMF

By David Lascelles, Banking Editor

THE HEAD of the Hungarian central bank, Mr Ferenc Bartha, said yesterday that the International Monetary Fund would have to show greater flexibility in its negotiations with Hungary.

Mr Bartha is due to meet IMF officials in Budapest today to discuss a \$1bn short-term stabilisation loan for his country. Speaking in London he said the IMF should not insist on "front loading", the practice of setting targets for key economic indicators such as the national budget and the current trade account as a condition for finance.

"Front loading is not possible any more in democratic East Europe," he said. Mr Bartha, addressing a meeting organised by the Osterreichische Landesbank, implied that official finance should be aimed at facilitating reforms rather than identifying performance targets.

He said he expected the Fund negotiations to centre on reducing Hungary's current account deficit, cutting state subsidies, and devaluing the forint, the national currency. Hungary was reluctant to make another devaluation, he said, because this would only add a further stimulus to domestic inflation, which was currently running at 15-17 per cent at the beginning of this year.

Czechs turn to economists for deliverance

John Lloyd and Leslie Colitt on a group hitherto barely tolerated by the authorities

IT MUST have been bliss to be in the Czechoslovak opposition these past 10 days, but to have been an opposition economist must have been very heaven.

A clutch of clever men, who spent most of their past two decades being ignored, sacked and slandered are being looked to for national deliverance. One is being talked of as prime minister.

He is Professor Václav Komarek, 59, head of the hitherto barely tolerated Prognostik Institute. He, with his deputy Vladimir Dlouhy and associates such as Václav Klaus, now economic adviser to the Civic Forum, has in the past year delivered a series of warnings on the deterioration of the economy: warnings that convinced Mr Ladislav Adamec, the Prime Minister - but no-one else in the power structure.

Mr Milos Zeman, who until recently worked in the Agricultural Economics Institute, won a huge public following in August when he published a piece called "Forecasting and Perestroika", which explicitly linked economic with political change.

The division of forecasting was closed: Mr Miloslav Štěpán, fired as Prague party boss two days ago, said of it: "I am against forecasts because they tell us what will happen in 2005 but we want to know what happens on Tuesday, Wednesday and Thursday."

Acting as a meeting point for these and other streams is a group headed by

Professor Vladimír Kadlec, a 77-year-old economist who was education minister under Alexander Dubcek and was before 1968 rector of the Economics High School in Prague. (He has not been allowed a good job since.)

The group is rich in former Dubcek ministers and includes Mr Jiri Hanzalika, a respected writer who has functioned as a kind of hand-maiden of various initiatives.

The active economists among these men have all experienced the same fate. Their forecasts were ignored and they were frequently fired. Mr Zeman says that when, in 1976, a group of Slovakian economists produced, to government order, forecasts on living standards, their findings that these would stagnate over the following 10 years were classified as top secret: the economists were then discovered not to be cleared to work with top secret material - their own - and dismissed. (Do not forget that Franz Kafka is Czechoslovakia's most famous author.)

Now Prof Komarek is among the most famous men in Czechoslovakia. Mr Zeman's wit delights mass rallies and Prof Kadlec's group has quickly finished a streamlined version of its programme.

They differ on many points, but this is common among them: the country has, at least for a decade, suffered a series of economic catastrophes, the largest of which has been the spending

of loans and of other funds which should have been invested, on consumption, filling the shelves to avoid discontent, consuming capital to keep communism in power.

Prof Kadlec reckons the country's total needs - repayment of debt, investment, stabilisation funds, environmental protection - amounts to 1,000bn crowns (\$42bn).

Vladimir Dlouhy, speaking of his own and Prof Komarek's work, says the immediate future looks still bleak, as the machinery and equipment exports to the Soviet Union which make up a huge 70 per cent of Czech exports, will be cut by 30-50 per cent over the next three to five years. This machinery, he says, is largely unsaleable elsewhere in the world.

Mr Zeman is particularly concerned by the educational crisis, pointing to a plunge in percentage of adults who have been to university to 6 per cent.

What is to be done? For Prof Komarek and Mr Dlouhy, the bare essentials are:

- Autonomy for the enterprises.
- Convertibility of the currency through a step-by-step devaluation of the crown.
- Liberalisation of foreign trade.
- The institution of a privatisation programme.
- The promotion of the sale of companies abroad, stressing the advantage of a highly-skilled labour force with wage

levels 30-40 per cent lower than Western Europe (though with productivity also 20-30 per cent lower).

Mr Zeman is also attracted to workers taking shares in their companies, having been impressed by the hard work and re-investment of profit evident in Czechoslovakia's minuscule private sector.

He wants foreign investment (not foreign aid) but opposes the dumping of polluting plants in a country where 24 tonnes of pollutants settle on each square kilometre every year (against, by comparison, half a tonne in Sweden).

Now they worry as to how to present this to a people used to comfort. They all broadly agree it must be done soon - "but not", says Mr Zeman, "until after the next election, when the euphoria after the election of the first democratic government can be used to tell the people the truth."

This, too, is a common theme - the trading of democracy for a period of a fall in living standards - perhaps, Mr Zeman thinks, by 30 to 50 per cent. They bank not just upon an outpouring of democratic enthusiasm, but also a sense of national pride.

Czechoslovakia had been before 1989 16th in the world in terms of income per head; they hope national pride can be mobilised so that the switch from consumption to investment can be made in the name of recreating a wealthy, and efficient state.

Church dispute casts shadow over the other summit

By John Wyles in Rome and Quentin Peel in Moscow

ITALY'S Catholic press may be calling it the "summit of the century" but prospects for an historic breakthrough at Friday's meeting between the Pope and Mr Mikhail Gorbachev have been overshadowed by a recent row between the Russian Orthodox Church and the Vatican.

Talks between Catholic and Orthodox prelates in Moscow were indefinitely postponed because of the seizure from the Orthodox of a church in Lvov, western Ukraine, by followers of the underground Uniate church, which Rome wants legalised.

Opposition from the Orthodox church is seen as the main obstacle to the reversal of Stalin's decision in 1946 to suppress the Uniate Christians, who follow Eastern rites but look to the Pope as spiritual leader.

Archbishop Kirill of Smolensk and Kaliningrad, the Orthodox hierarchy's new head

A SPLIT has opened up in Leningrad's Communist party after Mr Boris Gidaspov, the city's hard-line party boss, last week implicitly criticised Mikhail Gorbachev for his reformist policies and his failure to heed the voice of ordinary Communists, writes John Parker in Moscow.

Mr Yuri Sobchak, a Leningrader and one of the most respected members of the Supreme Soviet, accused the Leningrad party chief of pandering to conservative extremists in the party.

Mr Gidaspov, an industrial manager who took over as Leningrad's regional party chief this summer, has emerged as a standard bearer for old-fashioned Communist ideology, usually associated with Mr Yegor Ligachev, Mr Gorbachev's rival in the politburo. Last week, he pushed aside the number two in the city's hierarchy, issued a clarion call for stricter party discipline and attended a mass rally of Leningrad Communists which passed a resolution saying: "We categorically oppose the restoration of bourgeois order."

Mr Sobchak excoriated this gathering as hysterical and said Mr Gidaspov should not have given his sanction to it. He added that the merging of the city and regional Communist party bureaucracies - the device by which Mr Gidaspov took full control of the city apparatus - was reminiscent of Stalin.

view of his reputation as a relative moderate compared with his predecessor, Archbishop Filaret of Minsk.

The Vatican, for its part, remains keen to seize the possibility for creating a "normal" relationship with the Soviet state, and for redressing the wrongs still weighing down on the Soviet Union's 12m or so Catholics.

With Mr Gorbachev's blessing, a start has already been made. In the summer, the Pope was able for the first time since 1917 to appoint a bishop to the city of Minsk as head of the 2m or so Catholics in Byelorussia.

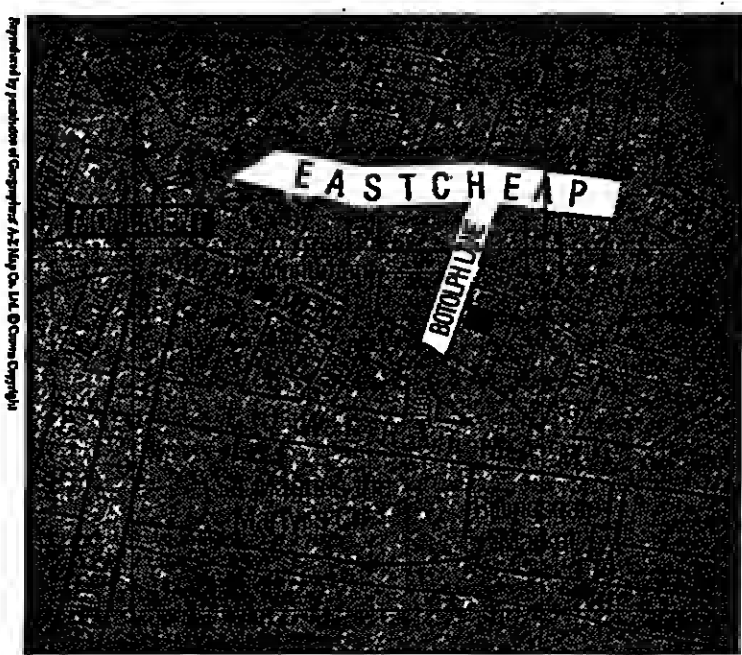
The Vatican has also been allowed to restore much of the Church's administrative structure in Lithuania.

Bilateral contacts have increased enormously over the past 18 months - the Vatican's Secretary of State, Cardinal Casaroli was received by Mr Gorbachev last year - but the world's largest and smallest sovereign states still exchange no formal representation.

A papal spokesman said yesterday the Pope was hoping for three things from his meeting with Mr Gorbachev: the birth of "permanent and stable" contact with the USSR; the rapid approval of the law on freedom of religion which would open the way to resolving the Uniate problem; and the realisation of his "unchanged desire" to visit Lithuania.

But Mr Gorbachev, whose devout mother had him baptised and he believed to practise the Orthodox faith with devotion, finds himself caught between two powerful nationalisms - Russian and Ukrainian - as he confronts the Uniate question.

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EUROPEAN NEWS



Eight Soviet Whisky class submarines pictured on a barge in the Baltic yesterday on their way to be scrapped in Spain

US allies warned on defence costs

By David White, Defence Correspondent, in Brussels

EUROPEAN members of Nato should not count on making the same kind of savings on defence costs as those being planned by the US, Mr Gerhard Stoltenberg, the West German Defence Minister, warned yesterday.

Speaking to journalists during a ministerial meeting of Nato's Defence Planning Committee, Mr Stoltenberg said it would be a mistake to conclude from the US plans that all allies should correct their spending provisions downwards.

The US reductions foreseen under a Vienna Treaty on East-West conventional forces would mean that European allies would have to take "a relatively bigger share" of the

overall Nato burden, he said. Ministers received an extensive briefing from Mr Dick Cheney, the US Defence Secretary, on plans to reduce the defence budget for the fiscal year beginning next October and to seek more sweeping reductions of \$150bn to \$180bn (\$115bn) over the following three years.

Against a background of criticism from some European countries that the US had given the "wrong signals", he emphasised that no reductions in US forces in Europe were planned outside the context of the Vienna arms talks. Nato arms agreements include a 30,000 reduction in US army and air force personnel, in exchange for a reduction in

Soviet forces in Eastern Europe to an equivalent level of 275,000. He also reassured allies about prospects for a continued US military presence in Europe.

However, a clear discrepancy appeared to be emerging between the US and its allies over assumptions about further force reductions after an initial Vienna treaty is signed. Mr Stoltenberg, who said a treaty might be signed in the autumn or even in the summer of next year, said Nato had to take this step first before embarking on a further one. The UK, in particular, is seeking a pause in the process.

However, the outline US plans for the medium term appear to be geared to substan-

Malta moves heaven and earth to rise to a mighty occasion

By Godfrey Grima in Valetta

"WE'RE POSITIVELY winning," says Mr Richard Cachia Caruana, the Maltese government aide rushing to complete a massive logistics programme in time for this weekend's US-Soviet summit.

Presidents George Bush and Mikhail Gorbachev will confer on warships berthed inside Marsaxlokk harbour, a village on the south coast which was once a Nato fuelling depot and is now used for bunkering by Soviet merchant ships.

Maltese, US and Soviet summit planners find the island's minuscule size more of an advantage than a handicap, putting everything within easy reach.

An hour after Prime Minister Eddie Fenech Adami was asked to host the summit three weeks ago, some 1,600 de luxe and four-star hotel beds were block-booked for aides and journalists and presidential aides.

Teams of government experts under Mr Cachia Caruana were able to identify within 24 hours which of Malta's services could buckle under the stress of the summit.

Mr Bush's accoutrements include 18 Cadillacs which rolled out of a US Air Force Galaxy transporter last week, and a special switchboard that keeps him in constant touch with Washington. The bosses

of Malta's frequently maligned telecommunications agency, Telema, will have much to answer for should the complex electronic wizardry now being installed - switchboards, computers, earth stations and an extra 1,600 telephone lines - fail to meet expectations.

The prospect brings Mr John Scicluna, the company chairman, out in a cold sweat, but says Mr Cachia Caruana: "We now have it from both the Soviets and the Americans that we're doing much better than expected."

At a humbler level, the summit is bringing into sharp focus the trading instincts of the Maltese. Restaurants,

hotels and taxi-drivers have all been warned not to inflate prices. Boat owners, demanding exorbitant sums from reporters seeking a closer look at the warships, may prove harder to restrain.

Even parish priests have fixed stiff price tags for television companies who have spotted church bellfries as ideal sites for their dishes and radio repeaters. A press centre has been set up at a converted 400-year-old hospital built by the Knights of Malta overlooking the island's splendid natural harbour of Valetta.

Having been propelled, at such short notice, to the centre of world attention, the Maltese authorities are naturally anxious to leave a favourable impression. As the summit gets under way, Marsaxlokk will take on a carnival atmosphere with bands, concerts and firework displays.

The island's 18th-century capital and its fortifications are already basking in floodlights as Maltese, Soviet and US flags flutter at every corner.

The opposition Labour Party, whose suggestion of a meeting between Mr Bush and Libya's Colonel Muammar Gaddafi made little headway, has a different programme on offer: prayer vigils and an anti-nuclear demonstration.

Denmark on course for surplus

By Hilary Barnes in Copenhagen

DENMARK'S current account is forecast to return to surplus in 1991 for the first time since 1963, according to the country's Economic Advisory Council. Its semi-annual economic survey warns, however, that a surplus is dependent on the maintenance of the Government's tight fiscal policy.

It expects demand to be held up almost entirely by exports, and to increase by about 4 per cent in real terms in 1990 and 1991. Gross domestic product should grow at about 1.1 per cent in 1990 and 1.7 per cent the year after.

The report's good news was somewhat marred, however, for Mr Poul Schlüter, the Prime Minister, by the fact that his embattled minority Government may have to fight a general election in January if it is to be in office to enjoy the economic success.

The latest round of talks with the tax-protest Progress Party to seek the party's support for the 1990 finance bill, which receives its final reading in Parliament on December 14, have proved discouraging. This increases the likelihood that Progress will join the Socialist parties to defeat the bill, thus forcing the third general election in two and a half years.

Islam rekindles war of church and state

By George Graham in Paris

FOR the past two months, Fatima, Leila and Samira have dominated French conversation everywhere and have succeeded in setting politicians - and in particular the left - at loggerheads.

The three girls, of North African origin, refused to take off their headscarves at their school in Creil, north of Paris, and were suspended from classes.

The phenomenon is, it must be said, limited: other problems cases have arisen, but some 350,000 Moslem girls manage to go to school in France without difficulty, either because they do not insist that they should keep their scarves on, or because their parents do not insist that they take them off.

European Diary



France

Hydra-like, however, the case of the Creil schoolgirls continues to throw up new points of contention, from the relatively trivial (pork in school canteens) to the more serious (the emancipation of women under Islam, and the integration of immigrants into French society).

"I have changed my mind three times in the last three weeks," admitted one Socialist Party member. Another replied: "I have kept the same opinion, but three times I have changed my reasons for holding it."

The division within the party is likely to become deeper, for the subject will be a key one at the next party congress in March where, at the same time, contenders for the succession to President François Mitterrand will be lining up.

One is Mr Lionel Jospin, Minister for Education, who has to manage the Creil problem, and who seems unlikely to be able to dissociate himself from the question by referring it to the Council of State for a legal opinion.

While some aspects of the debate are clear enough - the reaction to Islamic fundamentalism or to the subjection of women in Moslem society the brunt of the battle is being fought on a different terrain, and one which remains strange and incomprehensible to many

foreigners: on the concept of *laïcité*, the idea that religion has no business in school.

*Laïcité* does not mean the neutrality of the state towards different beliefs. It means that there is no place in the state, including the state schools, for religion - any religion," says one ardent defender of a headscarf ban.

Mr Michel Rocard, the Prime Minister, backs his education minister but has been numbered among the moderates on the issue. "A multi-confessional school is not a lay school," he says. "The republican state considers that the lay school should not be a place for competition between religions but a place where all religions are put into parentheses."

Mrs Danielle Mitterrand, on the other hand, feels that "if today, 200 years after the Revolution, *laïcité* cannot welcome all religions, all forms of expression in France, then we have taken a step backwards".

But a recent opinion poll shows that 69 per cent of those questioned feel that *laïcité* means "avoiding affirming your convictions, religious or otherwise".

This means, of course, that, like the Moslem headscarf, neither the Jewish skull cap nor the Christian cross may be worn at school. In fact, the doctrine of *laïcité* owes its origins to the battle against a militant Roman Catholic church at the end of the 19th century.

In practice, however, no-one is frightened any more by the cross or the skull cap, while militant Islam sends shivers down spines on the left as it does on the right.

The reactions of many within the Socialist Party, however, are still surprising for an outsider.

"Those who for 15 years have tried to sell us the right to be different" proclaim the charms of the "American model". But it is not the US that they are preparing for us - even supposing that that were desirable - it is quite simply Lebanon.

The unwary stranger has to pinch himself to remember that the writer of these words is Mr Jean-Pierre Chevènement, the Defence Minister, champion of the left, arguing in the name of tolerance, and not some supporter of the extreme right.

"At stake," he says, "through the integration of these millions of children, is the cohesion of French society in the next century."

The key word "integration" has thus made its way back into the vocabulary of the left, which had until recently phrased the problem of immigration largely in terms of opposing the racism of Mr Jean-Marie Le Pen and his extreme right-wing Front National.

Integration, however, is conceived largely in terms of assimilation to a still relatively homogeneous French national identity. Immigration experts such as Ms Dominique Schnapper, of the Paris School of Social Sciences, define success in terms of resistance to alien traditions, and claim with pride, it a little myopia, that French immigration policy has avoided the creation of ghettos.

It is hard for the foreign observer to avoid the feeling that this will be more difficult with the current generation of mainly North African immigrants than it was with the Polish, Portuguese and Italian arrivals earlier this century.

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OVERSEAS NEWS

# France attempts to save Aoun from bloodbath

By Lara Marlowe in Beirut

FRANCE and the Vatican were making diplomatic efforts yesterday to save Gen Michel Aoun, the Christian Lebanese leader, following an overnight build-up of Syrian military strength on the approaches to East Beirut.

Early yesterday morning, Syrian troops closed the main route from Damascus to civilians. The Syrians are reported to have brought in 600 truckloads of soldiers, 120 pieces of artillery, 40 multi-barrelled rocket launchers and 90 tanks. A limited attack on an area under Gen Aoun's control, such as Soukh el-Gharb, was expected last night or today.

Mr Francois Scheer, director general of the French Foreign Ministry, spent three hours with Mr Elias Hrawi, the Maronite president, who has promised to unseat Gen Aoun, in Mr Hrawi's temporary residence at the Chateau Park Hotel in the Bekaa valley. Monsignor Pablo Puente, papal envoy, also attempted to mediate.

The US supports President Hrawi, while many French officials remain privately sympathetic to Gen Aoun.

Syrian units in West Beirut yesterday took over positions of the pro-Iranian Hizbollah militia at Hay Mahdi, Bir el-Abed and Hay el-Sellum, throughout Beirut's southern suburbs. The southern suburbs lie just across the demarcation line from Gen Aoun's headquarters in the presidential palace at Baabda.

Mr Elie Ebeika, former head of the Phalange militia, was reported to be waiting with his Christian militiamen at Hadeith, just to the south of Soukh el-Gharb.

Gen Aoun meanwhile began mobilising a "human shield" of several thousand people around the palace. A top civil servant in East Beirut estimated that 50 to 60 per cent of the Christian area's population were loyal to the general.

Muslim Lebanese and Syrian army officers hope that a military blow to Gen Aoun, such as the loss of Soukh el-Gharb, would persuade the Christian 5th and 10th brigades under his command to come over to Gen Emile Lahoud, who was named the new commander-in-chief of the Lebanese Army.

# Gandhi: a premier undermined by deep insecurities

David Housego reviews a rule which began amid public acclaim and has ended in humiliation

IT WAS Mr L. K. Advani, president of the radical Hindu BJP party, who raised publicly the question that these days many Indians are voicing to themselves: "How will future historians explain the phenomenon of Mr Rajiv Gandhi - a man who in so brief a time soared so high in public esteem and sank so low?"

Five years ago he was elected in the largest landslide victory achieved by any Indian Prime Minister and took up office with that sense of excitement, youthful promise and crossing new frontiers that gripped the United States when John Kennedy took over the presidency.

This week he has suffered the second largest defeat in the history of the Congress Party, been rejected across the northern Hindi-speaking belt, which acclaimed him so vociferously in 1984, and had his name besmirched by allegations of "vote-rigging" in his own constituency of Amethi, which many Indians see as degrading to the office of prime minister.

Between these two landmarks lies a sad tale of good intentions that went unfulfilled, of relations with colleagues, state governments and other countries in the region that bred distrust; of growing isolation from public opinion; of a Bofors scandal that eroded Mr Gandhi's credibility and damaged India's democratic institutions, and of an opportunistic exploitation of Hindu-Muslim divisions in the election campaign that will leave scars on India's secular traditions.

Mr Gandhi came to power with sev-



eral factors working in his favour. India in 1984 felt wounded by the brutal assassination of Mrs Indira Gandhi and turned open-hearted to her son for reassurance. Mrs Gandhi had ended her administration a tired woman who had allowed day-to-day political manoeuvres to crowd out longer-term considerations. Mr Gandhi brought with him enthusiasm, an instinct for reform and for clean government, and a realisation of the need to modernise the Indian economy by opening it up to competition. As against this, his career of airline pilot had given him no experience of

politics or government. He also suffered from another, big drawback, namely that the massive security precautions needed to protect a prime minister after Mrs Gandhi's murder inevitably cut him off from the contact with crowds that is the lifeblood of an Indian politician.

Mr Arun Nehru, his cousin and probably closest associate in his early days of power but now an opposition leader, believes that Mr Gandhi's big weakness as prime minister was his constant shifts in opinion and inability to stick to a decision he had made.

He announced important reforms to bring fresh air into the Congress Party but then abandoned them. He negotiated an agreement for a settlement in the Punjab but went back on his word. He stood out against the Muslims being allowed to practise their own personal law over divorce but then caved in to fundamentalist Muslim pressure.

These constant shifts cost him the confidence of his colleagues. He in turn suspected that they were carving out their own careers and plotting against him. For all the air of confidence and unfathomability Mr Gandhi projects, he is a man of deep insecurities. A succession of cabinet resignations to bring loyalists into the Government left him without colleagues of stature and independence of judgment.

One diplomat compares Mr Gandhi with the former Shah of Iran. Both had the same commitment to modernisation and drew around them bright

technocrats attracted by the possibilities of short cuts to development that seemed to lie in dynamic power. But Mr Gandhi, like the Shah, was unable to implement his policies because he lost contact with the political process that provides a two-way communication. He developed no real base in the Congress Party. He stopped meeting the press, except for rare interviews or brief exchanges at an airport.

His growing isolation was symbolised by the fortress-like residence in which he was forced to live in New Delhi for security reasons. It was also increased, many believe, by having a foreign wife. As an Italian, Mrs Gandhi was unable to bring that feedback from the Indian family network that an Indian wife could provide.

The Bofors scandal played a big part in Mr Gandhi's undoing. There are still doubts over who benefited from the commissions on the \$1.5bn arms contract. Mrs Indira Gandhi would have certainly have been ruthless enough to have removed members of her inner circle who came under suspicion and thus damaged her image as prime minister.

Mr Gandhi never did so - which encouraged suspicions that he was involved in a cover-up. Suspiciously turned to documented accusations as statements that he and other officials involved made to Parliament over the Bofors controversy were found to be incorrect. As the quagmire deepened, the country's institutions - the office of the prime minister, Parliament, the police and judiciary - were seen to

suffer from their involvement. Mr Gandhi, like the Shah, felt the criticisms of him were unfair or ignored the favourable side of the picture. The economy entered a period of higher growth. India's fast-expanding middle class did well. Mr Gandhi's image stood much higher with foreign leaders and businessmen than it did with domestic opinion. All these factors combined with the prestige of the Nehru family, India's long-standing fear of the instability that an opposition government could bring, and the conservatism of a rural society, gave him the feeling that he could win the election.

Mr V.P. Singh, the leader of the opposition but formerly Mr Gandhi's Finance Minister, believed two years ago that the tide had turned against Mr Gandhi in the villages of the Hindi belt. He also believed that Bofors had become a stone around Mr Gandhi's neck which would slowly bring him down. These judgements proved correct.

Defeated in this election, Mr Gandhi seems determined to remain leader of the Congress Party. His mother made a comeback after being banished in 1977, by exploiting the divisions within the opposition and by carrying her campaign to the people. It only because of the massive security that surrounds him - and is likely to continue to do so because of the bitterness in the Punjab against him and his mother - Mr Gandhi has a hard task in winning back the hearts and minds of village India.

# Egypt presses PLO to adopt flexible stance

By Tony Walker in Cairo and Lamis Andoni in Tunis

EGYPT has markedly increased pressure on Palestinian leaders to agree to more flexible terms for the beginning of a dialogue with Israel amid signs that US-Egyptian efforts to restart the peace process have reached a critical phase.

Egypt has asked the PLO for a more positive reply to a US five-point plan for preliminary talks on Israeli-proposed elections in the West Bank and Gaza Strip. The PLO's insistence that it openly and emphatically nominate Palestinian representatives is regarded in Cairo as the "kiss of death" for the plan advanced by Mr James Baker, the US Secretary of State.

The US is also exerting pres-

sure on the PLO through Arab governments. Washington has asked moderate Arabs to encourage the PLO to support the Egyptian position, and not to take steps that might block the start of a process.

Egyptian officials are trying to persuade the PLO to adopt a less visible role on the grounds that all efforts should be made to deny Mr Yitzhak Shamir, Israel's Premier, any pretext for torpedoing the Baker initiative. Palestinian leaders, who are deeply suspicious of this argument, say they are worried about a precedent that might be set if they agree to a near invisible role in preparations for an opening dialogue between Israelis and "non-PLO Palestinians."

# Sikh militants take electoral grip on Punjab

By K.K. Sharma in New Delhi

A JAILED Sikh militant and the widow and father of one of Mrs Indira Gandhi's assassins are among those declared elected yesterday to the Indian parliament from the north-western state of Punjab, which has been the theatre of a violent movement for a separate Sikh nation for several years.

The election of six nominees of the militants - and three others supported by them - out of Punjab's 13 members of the Lok Sabha (lower house) is certain to have far-reaching implications for the troubled state because it has given birth to a political party organised by the radicals.

Its leader is Mr Simranjit Singh Mann, a former police officer, who has been in jail for the last four years. In addition to charges of sedition, Mr Mann is now being tried as a

co-conspirator in the Indira Gandhi assassination case in which two Sikhs have already been hanged.

Mr Mann has been declared elected from Tarn Taran near Amritsar, a region where Sikh militancy and violence have taken an extreme form. From jail, he heads what is known as the Mann faction of the Akali Dal, the main political party of the Sikhs.

Mr Mann's election to the Lok Sabha with eight of his party members and supporters is interpreted in the Sikh community both as a rejection of the Punjab's political establishment and as an expression of anger against what Sikhs consider repressive police rule.

The most important implication of the election of the militants is that they are now certain to contest and win the

coming elections for a state assembly in Punjab where President's Rule (or direct administration from the central government in New Delhi) comes to an end in April 1990.

State elections must be held before then and many expect a government formed by Mr V.P. Singh to accelerate the process as part of its attempt to find an early solution to the Punjab question. Mr Rajiv Gandhi's handling of Punjab by using police methods has been widely criticised. Mr Mann's party is expected to contest all the Assembly seats. Judging by the massive victory he and his supporters have won - Mr Mann's majority is more than 464,000 - it should sweep to power in Punjab.

Sikhs expect Mr V.P. Singh's Government to withdraw the charges against Mr Mann and

release him. It is thus on the cards that Mr Mann will be Punjab's Chief Minister after elections in the state, the first time the post would then be held by a militant.

Many Sikhs feel that the election of the militants does not necessarily mean a vote for Khalistan, the independent Sikh nation sought by them, even though the Akalis elected belong to the faction that wants independence. One prominent Sikh said it was "anger vote, a spite vote" against the handling of the Punjab issue.

It does mean, however, that the V.P. Singh Government will have to tackle very quickly the demand for greater state autonomy that is being sought not only by Sikhs but elsewhere. This is bound to be a diffi-

cult issue to settle since the militants are certain to demand more powers for the states than parties such as the Bharatiya Janata Party (which stands for a strong central government) accept.

An important feature of the elections in Punjab is that, unlike many other parts of the country, polling took place totally without violence, a remarkable occurrence in a state said to be torn by terrorism. One Sikh source said that the militants provided armed guards for candidates.

Participation in the elections has been welcomed by leaders of Mr Singh's Janata Dal.

Mr Inder Gujral, a senior Janata Dal member elected from Punjab, said: "This shows that the Sikh militants are becoming part of the mainstream."



Bismal Khanna, widow of one of Indira Gandhi's assassins, who has become an MP

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Four years ago, the Soviet leadership has initiated a series of reforms directed to increase the role of the market in the Soviet economy and to gradually open that economy to foreign participation and competition. LIMI (Leningrad International Management Institute), the joint venture between Bocconi University of Milan and Leningrad State University, is organizing a series of seminars aimed at a better understanding of the rapidly changing Soviet economy and of the "new" business possibilities for Western corporations arising from this process.

In January 1990, LIMI will organize a conference whose purpose is that of gathering together top businesspersons, bankers, academicians and political experts to discuss the effects of the "Perestrojka" and of the changing global strategies on:

- the perspectives of the Soviet economy
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Individuals who will be participating include, among others, O. Bogomolov, Director of the Economic Institute for the World Socialist Systems; G. Cagliari, Chairman of ENI; I. D. Ivanov, Vice-President of the State Commission for Economic Affairs and Foreign Trade of the Soviet Ministry; W. Leontieff, Nobel Laureate and Professor of Economics New York University; E. Luttwak, Center for International Strategic Studies; S. Pitsar, international specialist on East-West issues; J. Mroz, President of the Institute for East-West Securities Studies.



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OVERSEAS NEWS

# Family dynasties take China on a long march to feudalism

Casual spilling blood, Chinese leaders still regard it as thicker than water, writes Colina MacDougall

A new and unattractive dynasty is on the make in China. At the party's central committee meeting earlier this month, the Yang family strengthened its grip over the leadership as Yang Shangkun, the 82-year-old state president, and his younger brother Yang Baibing, 66, won promotion in the party's most powerful body, the Central Military Commission, which has ultimate authority over the army. These promotions confirm that China is still deeply rooted in the feudal age. A whole new aristocracy is springing up, based on family links to the first generation of communist leaders.

Yang Shangkun, the patriarch of the rising dynasty, is a long-standing friend and colleague of Deng Xiaoping (one source says he is a second cousin), and, it is alleged, once worked closely with Peking's powerful security chief, the late Kang Sheng.

The Yang family, says a Hong Kong banker, are the real Chinese partners in the Palace Hotel, a new super-luxury complex off Peking's Wangfujing street which was said to be built by the People's Liberation Army in a joint venture with Japanese and Hong Kong companies.

"They treat China like their private estate," said one stu-



Yang Shangkun, right, patriarch, and, from left, Ye Xuanping, Liao Hangsheng, Li Tieying and the late Ye Jianying

dent bitterly in Tiananmen Square last May. Even Zhao Ziyang, the dismissed party leader who became the students' hero by default - there was no other potential Chinese Gorbachev - put his children into cushy posts in south China.

The old guard still see themselves as the country's conquerors. As the Peking massacre in June showed, they are prepared to go to any lengths to keep their grip on power and privilege. The secretive and shortage-ridden system offers fertile soil for the traditional ideas of family obligation and rewards to flourish.

This feudal atmosphere is made worse by Deng Xiaoping's now-falling health. A growing power vacuum means

that men of ambition such as the Yangs are waiting to pounce. In the recent party reshuffle, Yang the elder did not get the job he wanted, the chairmanship of the commission, just vacated by Deng Xiaoping. But he did move to the important slot previously occupied by Zhao Ziyang - the senior vice-chairmanship.

Yang Baibing, his brother, vaulted from his earlier role as head of the army's political department to the post of secretary-general of the commission. He also moved straight into the secretariat of the party's central committee, without the normal preliminary service as rank-and-file member.

The Yangs collectively have more blood on their hands

from the massacre in June than even Deng. Well-informed Chinese said at the time that the decisions on how and when to use the army came from Yang Baibing's office.

Those decisions were backed by Chi Haotian, the Chief of Staff, said to be Yang Shangkun's son-in-law (though Chi has denied this), and reports say that the 37th Army, which did most of the killing, was commanded by Yang Baibing's son, Yang Jianhua.

A sister to the elder Yangs, Yang Baifu, is married to a lifelong soldier, 76-year-old Liao Hangsheng, who joined the communist guerrillas in the 1920s and became a general in 1955. He is now a vice-chairman of the National People's Congress.

Although Yang the elder at 82 is only three years younger than Deng, his demeanour is much more youthful. Since his wife died (she was a writer whose works, it is not surprising to observe, have moved into the limelight as Yang's power has swollen) his constant companion has been the Dragon Lady of the Peking municipal government, vice-mayor Wu Yi, in her fifties. This gives the Yangs a useful link with Peking's municipal leaders who also played a vital role in crushing the protest.

Though Deng followed the elder Yang's desire to get the Military Commission chairmanship, the Yangs are likely to come out on top in the long run. Deng's successful candidate, Jiang Zemin, the new

party leader, has neither the contacts nor the experience to keep them at bay.

Deng's own family are not the stuff of which national leaders are made. One daughter, Deng Rong, now accompanies her father to meetings and shouts in his ear when his deafness hampers conversation. Another, Deng Lin, works in Shenzhen, as does her brother, Deng Zifang. (Shenzhen, the Special Economic Zone adjoining Hong Kong, is probably China's most swinging town.) Only one, the partially-paralysed son, Deng Pufang, has ventured into public life and has grown tainted through his links with the now-dissolved Kangninsu company by corruption too unfettered even for China.

But Deng has a curious family connection with another leader who is clearly on the way up. Li Tieying, in his early 50s, is a politburo member and in charge of the State Education Commission. He is also the son of Deng's first wife, Ah Jin, who eloped in the 1920s and died in exile in the Soviet Union.

If Li feels uncomfortable at leadership meetings because of his parentage, it has done nothing but benefit his career. On the politburo since 1987, he supported the Deng line against the students last spring, and on Peking televi-

sion seemed quite tough and uncompromising enough to appeal to the old guard.

There are dozens more family mafias. Everyone knows that Li Peng, the premier, was the adopted son of China's most respected leader, Zhou Enlai. His own children hold important posts. The Ye clan, which now boasts a governor (Ye Xuanping, of Guangdong province) and a State Councilor (Ye Jiahua, Minister of Machine-Building, related by marriage) plus several lower-ranking officials, sprang from the now-dead but once-influential Marshal Ye Jianying.

Wang Zhan's son is deputy head of the political department in the Chengde Military Region (a useful contact when troops need to be mobilised fast and illegally, as in May). Another is deputy head of the wealthy China International Trust and Investment Corporation in Shenzhen. Wang Zhen, 82, is China's vice-president and a longstanding Deng backer.

China's leaders may be casual about spilling blood on the streets of Peking, but they still see the need to keep their own families safe. This ancient Chinese tradition has been reinforced, rather than expunged by socialism. To be a leader's relative is the best passport to reaching the top yourself.

## De Klerk curbs role of security officials

By Jim Jones in Johannesburg

MR P.W. DE KLERK, the South African president, is to strengthen his cabinet's authority by curbing the powers of security officials appointed by his predecessor, Mr P.W. Botha.

In a move that marks the further development of a more flexible and open style of government, Mr de Klerk announced yesterday that he intended to abolish the National Security Management System (NSMS).

This shadowy organisation of selected cabinet ministers and state and security officials, introduced in 1986, gained considerable influence under Mr Botha, co-ordinating the government's political and military strategy.

Mr de Klerk called for a report from Law and Order Minister Adrian Vlok last week following allegations by white former police captain Dirk Coetzee that his squad systematically murdered government opponents.

The allegations have sparked an outcry in South Africa. Newspapers, opposition politicians and human rights lawyers have demanded that a panel of jurists with subpoena powers be established to investigate the affair.

Fundamental to the NSMS were Joint Management Centres, which took over the management of black townships when political protest brought a halt to council and local government functions.

At the pinnacle of the system has been the State Security Council, which comprised Mr Botha, his close cabinet associates, and senior security officials.

This erstwhile inner cabinet is being downgraded to the rank of a parliamentary committee. Government officials said this reflected Mr de Klerk's wish to negotiate new political structures, rather than impose the Government's will.

Announcing the changes at a police parade in Pretoria yesterday Mr de Klerk said: "The advantages of the new approach are that the cabinet will be confirmed as the highest policymaking and co-ordinating authority."

Mr de Klerk has already increased the cabinet's influence by arranging weekly meetings rather than 100-nightly, as was the norm in the final years of Mr Botha's increasingly autocratic rule.

Reuters reports the Mass Democratic Movement, a coalition of anti-apartheid groups, urged Mr de Klerk on Monday to invite members of the International Commission of Jurists to serve on an independent panel to investigate the death squad allegations. "The majority of the people in our country do not see the South African judiciary as being independent of the apartheid state," the movement said in a statement.

## Code of conduct set by Japanese

By Ian Rodger in Tokyo

JAPANESE industrialists concerned about creating social problems when setting up operations in foreign countries now have a series of guidelines to fall back on.

Published this week by the Association of Corporate Executives (Doyukai), the guidelines are aimed at reducing the increasing incidents of friction between local communities and the overseas operations of Japanese companies.

Many Japanese factory managers overseas have been criticised for associating only with other Japanese and not cultivating relations with local people.

The guidelines, produced after Doyukai officials interviewed executives of 18 leading Japanese manufacturers about their operations overseas, come in the form of checklists of questions for managers at different levels.

Board Directors are asked whether they are taking steps to heighten awareness of the international scope of the business in head office. Are they, for example, hiring any foreigners in their head offices?

For top managers of US plants, it asks whether US citizens have the opportunity to reach top management levels and whether affirmative action programmes for minorities are being considered.

## S Korea keen to forge links with eastern Europe

By Robin Pauley, Asia Editor

SOUTH KOREA now has an "ardent desire" to establish full diplomatic relations with the Soviet Union and other Eastern European countries, President Roh Tae Woo said at a luncheon in London's Guildhall yesterday.

South Korea already has diplomatic relations with Poland and Hungary. Trade offices have been opened in the Soviet Union, Yugoslavia, Bulgaria, Hungary and Poland. The next to open will be in Czechoslovakia next year.

The Koreans hope that recent developments in Eastern Europe will give a spur to efforts to reduce tensions between the two Koreas and perhaps eventually lead to reunification.

"The world is now facing an unprecedented wave of reform. It is no longer war that dictates the power to rearrange the world order: it is freedom and prosperity. New horizons are now apparent in the communist states of Eastern Europe. Systems which had occasioned not only economic decline but so much human suffering have become ossified and moribund. Country after country behind the not-so-iron curtain is realising that prosperity can only come with multi-party democratic elections and a dismantling of the communist single-party system of government," President Roh said.

South Korea, the world's seventh largest economy and 10th largest trading nation, is itself newly democratic. President Roh having come to power in the first fully open elections in 1987.

"The pace at which we have moved towards a balanced democracy has naturally cre-



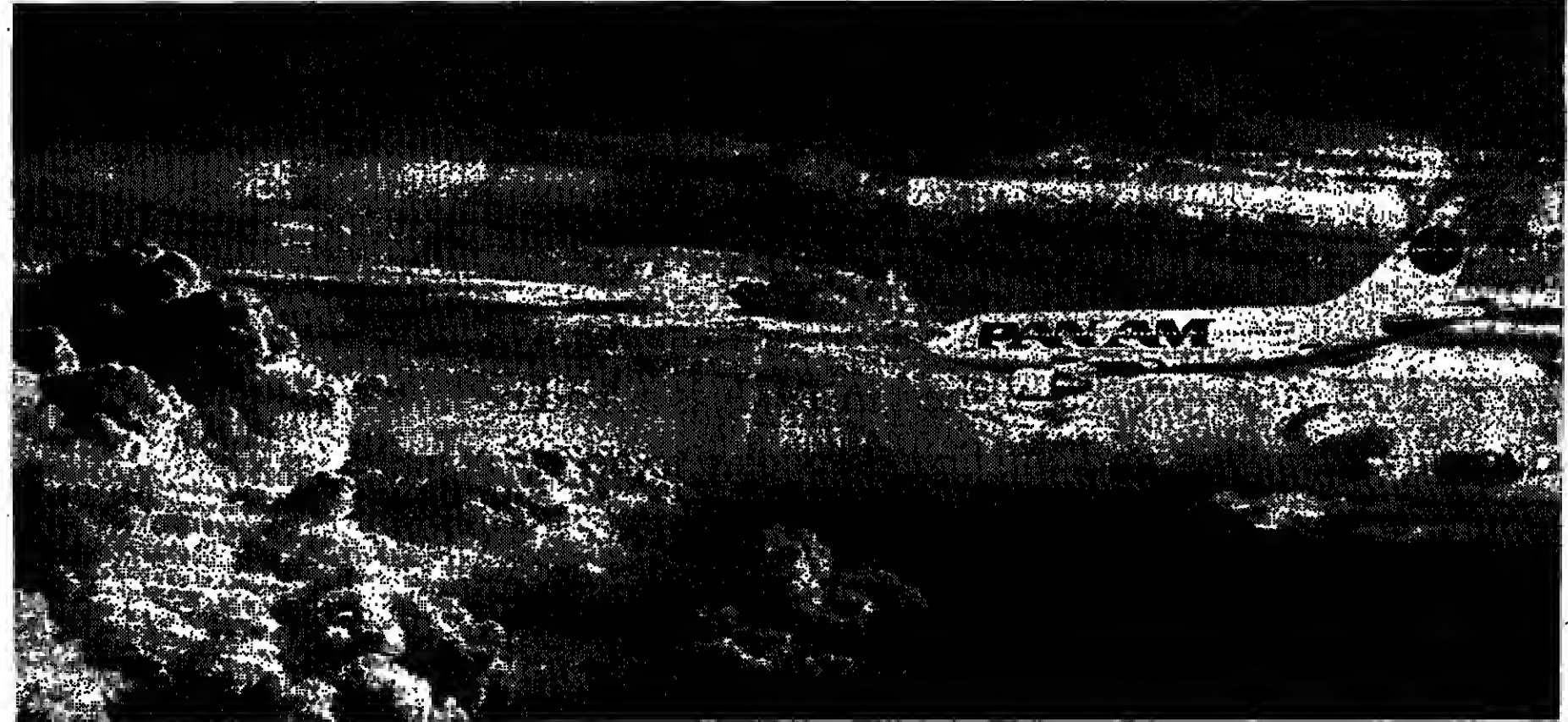
Roh Tae Woo, forging links

ated strains within our society. There have been those who would place more emphasis on the exercise of freedom of action rather than social responsibility," he said.

President Roh's first official visit to Britain is not without controversy and members of the Rim Su Gyong Defence Campaign demonstrated outside 10 Downing Street yesterday when Mr Roh had talks with Mrs Margaret Thatcher, the Prime Minister. Miss Rim is on trial in South Korea under the National Security Law for visiting the North Korean capital of Pyongyang in July and returning to the south in August across the demarcation line. A prison was recently sentenced to 10 years in jail for the same offence.

In addition animal welfare organisations are taking advertisements in British newspapers during President Roh's visit which ends tomorrow, to protest against the conditions allegedly suffered by dogs and cats bred for human consumption in South Korea.

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NUMBER ONE ACROSS THE ATLANTIC



AMERICAN NEWS

# Bush rules out summit deal on troop cuts

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday sought to reassure US allies by lowering expectations about what might be agreed on troop levels in Europe at his meeting next weekend of Malta with President Mikhail Gorbachev of the Soviet Union.

During a brief session with reporters in the Oval Office, Mr Bush acknowledged he would talk with Mr Gorbachev about troop levels, but added: "I am not going to go off and prematurely jump out there and try to grandstand by committing them [the Nato allies] to something that's not the way to keep an alliance strong. It takes two to make a deal. I'll not tie the alliance up by unilateral commitments."

Mr Bush said he wanted to "shoot down this frantic speculation that he and Mr Gorbachev were set to negotiate a reduction in troop levels in Europe. He apparently called in reporters because of "euphoric expectations of some deal. There isn't going to be such a deal."

He promised no surprises and no arms control deals, which, he said, he had made clear in writing to Mr Gorbachev. Mr Bush claimed that the allies supported his approach to events in Eastern Europe.

The speculation has arisen in part following comments on Monday by Mr Marlin Fitzwater, Mr Bush's press spokesman, that the two presidents would talk at Malta about arms control and military force structure. Moreover, Mr Dick Cheney, the Defence Secretary, has talked about possible further cuts in US, as well as Soviet, troops in Europe, as well as sizeable cuts in overall US defence expenditure.

There has been a shift in the US position in the last week towards considering deeper troop cuts in Europe than are being discussed in the Vienna conventional force talks. One opinion is that President Bush may suggest to Nato allies in Brussels next Monday that the upper limit of US and Soviet troops could be substantially lower than the 275,000 on each side currently proposed in the Vienna talks.

# Top Republican warns president of policy drift

By Lionel Barber in Washington

A TOP Republican has warned President George Bush that his presidency lacks direction and risks resembling the second Eisenhower administration, a period of drift which led to Democratic dominance in the 1960s.

Mr Newt Gingrich, the House minority whip and self-styled intellectual leader of conservative Republicans, said Mr Bush must choose between being a "status quo" President or whether to push a more ideological programme in the 1990s to break the Democratic majority in Congress.

Conservative Republicans have long harboured suspicions about Mr Bush, who is by nature a consensus politician, but Mr Bush's high approval ratings and the country's

sound economic growth have largely minimised criticism.

Public doubts among Republicans re-surfaced after this month's defeats in gubernatorial races in New Jersey and Virginia, when Mr Bush's popularity failed to help Republican candidates.

The problem is that Mr Gingrich's tough-minded talk does not square with Mr Bush's "kinder, gentler nation" rhetoric and his inclination to split the difference with the Democratic majority in Congress.

Mr Gingrich says he believes Mr Bush is at a "crossroads" where he must decide which path to take. "If in fact, it is the second Eisenhower administration, we are in deep doo-doo, to use a phrase common at the White House."

# US objects to London envoy going to Cambodia

By Lionel Barber in Washington

THE US has objected to a British government plan to send a diplomat from Bangkok to Phnom Penh to coordinate humanitarian aid to refugees in the Cambodian civil war.

The US argues that such a step would amount to recognition of the Vietnam-backed Hun Sen regime, and would undercut Washington's efforts to reach a power-sharing arrangement involving the three-party Cambodian resistance movement which is led by Prince Sihanouk and has the Khmer Rouge as its dominant faction.

British officials in Washington acknowledged that the US made representations more than a week ago. While no formal decision has been made in London, it was likely that the envoy's visit to Phnom Penh would go ahead. The plan was that the diplomat, a first secretary based in Bangkok, would be accompanied by a civil servant from the Overseas Development Administration in London. One compromise to accommodate the US view might be to send the official from London without the diplomat.

Mr Douglas Hurd, British Foreign Secretary, said in a policy address to the House of Commons earlier this month that the UK would step up its humanitarian programme to Cambodia by an additional \$397,500. The aid would be channelled through various United Nations and non-governmental agencies to the many thousands of Cambodians living in camps, along the Thai-Cambodian border.

The British government has told the US State Department - which originally raised objections - that the humanitarian assistance is vital. It rejects the notion that the dispatch of a diplomat - the first official British visit to Phnom Penh in 14 years - amounts to recognition of the Hun Sen regime.

"It is purely a matter of discharging aid," said the British official, adding that London shares Washington's view that the regime is unselected and therefore illegitimate.

The dispute is yet another irritant in the bilateral relationship. There are also differences of tone on East-West relations.

# UK policy on HK refugees condemned

By Peter Riddell

THE BUSH administration has taken the unusual step of publicly dissociating itself from the British policy of ordering the forcible repatriation of Vietnamese from camps in Hong Kong back to Vietnam.

The State Department has described the UK action as "unacceptable to the US. This has been the most difficult bilateral issue between the two governments over the past 12 months."

"The US position is that involuntary repatriation is unacceptable until conditions improve in Vietnam. We believe the United Nations High Commissioner for Refugees should be provided with every opportunity to make voluntary repatriation programmes function effectively," a senior State Department official said.

Instead, the US supports voluntary repatriation for Vietnamese boat people, under a comprehensive plan of action agreed at an international conference in Geneva earlier this year. The US has also held discussions with Hong Kong to see if Canada and Australia might take some of them.

Mrs Margaret Thatcher discussed the issue when she met President George Bush at Camp David last Friday, and the two leaders apparently disagreed. Mrs Thatcher afterwards stressed the distinction between genuine political refugees from persecution who would be granted asylum, and what amounted to illegal immigrants, who would be forcibly repatriated.

Privately, British officials are highly critical of the US for being hypocritical on the grounds that Britain, in repatriating the Vietnamese boat people, is doing exactly the same as the US when it sent Haitians landing in Florida back home.

The US reaction is that conditions in Haiti are better than those facing repatriated Vietnamese under communist rule.

The issue has provoked strong feeling in the US, with Mrs Thatcher facing unusually strong personal criticism for being willing to send people back to live under communism.

The official State Department line is that, while the large number of Vietnamese boat people has created serious problems in Hong Kong, the right response is international concerted action of the type agreed in Hong Kong.

# Quake leaves rates up in the air

Patrick Cockburn reports on prospects for a US insurance upturn

SINCE the San Francisco earthquake last month the world insurance industry has waited to see if the unprecedented string of disasters in 1989 would end the three-year-old depression in US insurance rates.

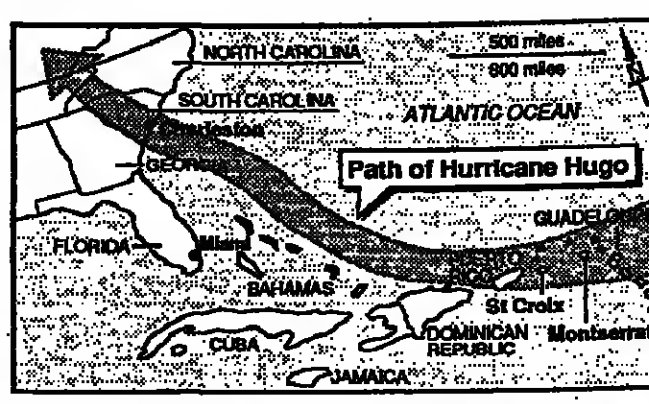
So far the signs are contradictory as insurance and reinsurance policies come up for annual renewal, but in recent weeks a picture is beginning to emerge of the extent of the damage caused by the catastrophes, its cost to insurance companies and the way this is affecting the price likely to be paid for insurance in future.

By far the biggest disaster was hurricane Hugo on September 17-22, believed to be the most expensive single disaster in the history of insurance. Loss adjusters picking through shattered buildings on the islands of Montserrat and St Croix say the hurricane's 200mph winds caused \$5bn in damage in the Caribbean alone.

By the time Hugo hit the US coast its wind speed had dropped a little but was still strong enough to cause some \$4bn in damage in North and South Carolina, much of it in and around Charleston.

The San Francisco earthquake was less expensive than at first feared. Modern buildings suffered little structural damage, though surveys are still going on. Business interruption in Silicon valley and elsewhere, which could have produced big claims, was limited and the American Insurance Services Group in New Jersey, which collates insurance claims, says they may be as little as \$900m.

By contrast the explosion at the Philip's Petroleum petrochemical plant in Pasadena,



an International Group, said the 1989 disasters had "simply hastened the timetable for and, to some extent, the amount of required increases in virtually all commercial insurance classes."

By last week, however, the euphoria of the beginning of the month had dampened down. Mr David Rowland, chairman of Sedgwick Group, the biggest international insurance broker to Europe, went out of his way to downplay "the possible effect on rates of the substantial losses incurred recently". He did not, he explained, want the stock market to have an exaggerated idea of what to expect.

Mr Tony Wyand, group general manager (finance and investments) of the UK composite Commercial Union, whose third-quarter profits were hit by Hugo and other windstorm damage, said he expected the final shape of the present depression to be saucer shaped - unlike the sharp V-shaped depression of 1981-84.

Temperate expectations in London are important because US insurers normally reinsure risks above \$40m-50m. The big-

gest losses should therefore hit Lloyd's of London and other reinsurers. If the insurance cycle is going to turn it should start with reinsurers already hit by the hurricane in the UK in October 1987 and the Piper Alpha oil platform explosion but so far there is little sign of this happening.

Moreover Mr Chris Pountain, insurance analyst at Morgan Stanley, argued that US companies would find it difficult to raise premium rates aggressively because even \$100m in losses from Hugo and the San Francisco earthquake are modest when compared with the \$125bn capital of the US insurance industry.

Nor would a sharp increase in premiums, as in 1984-86, necessarily be in the interests of insurers. In the mid-eighties large companies facing a sharp rise in premiums took refuge in various self-insurance vehicles such as captives or industry mutuals.

Nevertheless, whatever the strength of the argument that the US primary market as a whole is too competitive to sustain an all-round increase in premiums, somebody is still going to lose a great deal of money. At first this will be the retrocessional insurers - who insure the reinsurers - now facing a series of massive losses. To meet the claims they must raise rates.

Brokers saw this in turn, by 1991, leading to a rise in reinsurance rates but were doubtful if this would be reflected in the cost of basic insurance in the US in the immediate future. Despite the euphoria at the end of October, capacity looks too great to allow any big increase in premiums - unless 1989 has one more disaster in store.

# Biggest ever drugs haul in Mexico

By Richard Johns in Mexico City

THE Mexican Government has triumphantly announced the seizure of 5.5 tonnes of cocaine in the south-western state of Oaxaca, the largest haul ever in Mexico.

The seizure, with a US street value of \$8.4bn (£5.4bn), brings the total claimed since the present administration took power nearly a year ago to 30 tonnes, compared with 35 tonnes in the previous decade. Another capture in Saltillo, in the north-east, yielded 900kg.

The haul, found in a ravine near San Miguel Yuatepec, Oaxaca, was flown into Mexico by an aircraft believed to belong to Gonzalo Martinez Garcia, one of the key figures in the Colombian Medellin cartel. Two federal agents and six drug traffickers were killed.

Mr Enrique Alvarez del Castillo, the Attorney General, warned that the Mexican security forces now had the capacity to detect flights violating the country's air space heading for clandestine landing strips near the 1,533-mile border with the US, and within three hours determine their destination. He said that three had so far been brought down by gunfire.

Mr Javier Coello Trejo, the assistant Attorney General responsible for the battle against drug trafficking, said last week that an average of 18 to 19 aircraft carrying Colombian cocaine landed monthly, of which 30 to 40 per cent were intercepted.

Mr Coello put the proportion of cocaine now entering the US through Mexico at 20 per cent although the US says it is more like 40 per cent.

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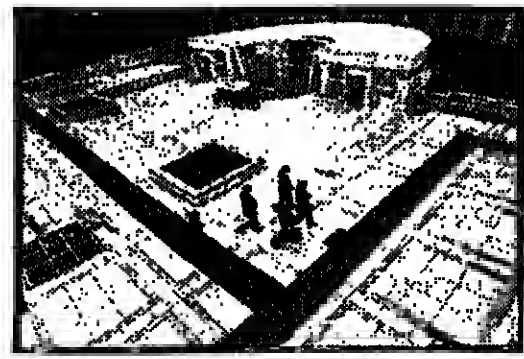
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WORLD TRADE NEWS

# BA will fight US demands for extra flights

By Paul Setts, Aerospace Correspondent

BRITISH Airways (BA) will press the UK Government to resist US demands to allow US airlines to mount extra flights to Manchester and other UK destinations while UK carriers are not granted reciprocal access in the domestic US market, Lord King, BA's chairman, said yesterday.

On the eve of a new round of US-UK talks on possible revision of the current bilateral air service agreement between Britain and the US, Lord King called in Washington for easing of US nationality rules on airline ownership.

UK and US officials hope to make progress on the controversial revision of the existing air service accord during a three-day meeting starting in London today. Talks between the two countries collapsed last January. But officials at the UK Department of Transport said yesterday the climate had now improved, although it was still unlikely this round of talks would lead to a new agreement.

UK negotiators have been increasingly pressed by regional airports such as Manchester which are anxious to expand their international services. Manchester Airport has threatened to take action in the European court against the UK Government if it cannot expand its transatlantic and other international services.

The US has now proposed developing new scheduled airline services to UK regional airports. This would open the way for new competitive transatlantic services by British airlines such as British Midland and Air Europe, which have both indicated longer-term plans to fly to the US. Meanwhile, US carriers such as American Airlines have campaigned to increase services to Manchester.

No signs exist at this stage that the US is prepared to allow UK or other European carriers rights to serve US domestic destinations beyond their international gateway airports. No revision of the bilateral pact is likely until the US agrees to open its domestic market to UK airlines.

Lord King said yesterday that 40 per cent of traffic on US-UK routes consisted of passengers whose journeys started or ended at points beyond international gateway airports in America. He added that UK airlines could not compete at present for that traffic.

"We shall press on our negotiators the need to ensure adequacy of access, not nominal reciprocity," he argued. "Simply offering an additional service between two gateways to an airline of each nationality does not provide equality of opportunity. If Europe is to be open to US airlines, the US must be open to European airlines."

## FIAT IN EASTERN EUROPE

# Car maker's drive into east bloc markets

FIAT has carved out a bigger presence in the East European motor industry than any other western vehicle maker, writes Kevin Done, Motor Industry Correspondent. It has shown itself ready to make deals with Moscow at a time when its western rivals such as Ford, Daimler-Benz and Volkswagen have remained overawed at the scale of the risks involved allowing their parallel talks to run into the sand.

FIAT has already played a big role in bringing the most important existing Soviet car

plant into production, the Volga Automobile Factory (VAZ) in Togliatti.

VAZ produces the range of cars marketed in West Europe under the Lada name. The Togliatti plant is one of the biggest car assembly plants under one roof in the world. The plant produces around 720,000 cars a year, the Samara, a modern small family hatchback, and the Riva, the saloon car developed from the Fiat 124 under a licensing agreement with the Italian car maker.

FIAT was chosen as the part-

ner for the VAZ project in 1966 and the first car rolled off the assembly line in Togliatti in 1970. The plant accounts alone for more than half of the Soviet Union's present annual car output of around 1.5m.

Since the beginning of the 1970s, Comau, Fiat's production systems subsidiary, has installed equipment in various Soviet car plants including VAZ in Togliatti, AZLK, the Moscow plant that produces the old Moskvich and the more modern Aleko cars, and the ZAZ plant in Zaporozh'e in the

southern Ukraine, which has recently begun manufacturing the Tavria, a 1-litre small car.

FIAT's other big ventures in East Europe are in Poland, for small cars, and in Yugoslavia, for commercial vehicles.

Polski Fiat was set up in Warsaw to assemble and market cars as long ago as 1952. In 1965 Fiat signed an agreement to produce the Fiat 125 at the Warsaw FSO plant, with a capacity of 70,000 cars a year.

Five years later Fiat reached a deal for the production of the 126 at the FSM plant in Bielsko

Biala in Silesia at the rate of around 150,000 units a year. In May 1987 this plant produced the two millionth Fiat 126.

Poland has become the only production site in Europe of Fiat's so-called "sub-mini", the 126, which slots in beneath the Fiat Panda in western markets as one of the cheapest cars offered by any manufacturer.

In September 1987 Fiat and FSM reached agreement on a collaboration for a replacement for the 126 to be called the Micro, to be launched in 1991 in East and West Europe.



Cesare Romiti, Fiat Group managing director: company has been ready to make deals with Moscow

# Business remains cautious over investment inflows

Establishing joint ventures is fraught with pitfalls and rewards are uncertain, Peter Montagnon reports

DESPITE Fiat's decision to sign a £1,800bn (2872m) joint venture agreement with the Soviet Union yesterday, Western businessmen remain cautious about predicting a large-scale pick-up in investment inflows over the short term because of economic and political reform.

Theoretically, the opening up of the Soviet Union and other East bloc countries to Western investment has created a golden opportunity because of low wage rates and relatively high skills, which some believe could allow them to compete eventually with the newly industrialising countries of the Far East.

In practice, businessmen say that establishing joint ventures is still fraught with pitfalls and the rewards highly uncertain. According to Mr Dimitri Prot-

senko, a former Soviet Finance Ministry official who is now an adviser on joint ventures, only 40 joint ventures are fully operational out of more than 1,000 registered over the past three years.

Only three out of the first 250 registered involved investment of more than \$20m.

One of the most basic problems is that Western companies seeking to establish such ventures frequently do so with the primary aim of selling their goods on the Soviet market, while the main Soviet interest is to generate hard currency through increased exports. This conflict of objectives can lead to problems because it means all joint ventures have to be at least self-supporting in hard currency terms.

Western businessmen say

their interest in joint ventures would grow considerably if the rouble were convertible. This would allow them to take profit and dividends on joint ventures out in hard currency and facilitate their ability to buy in raw materials and trade out the products they produce in the Soviet Union.

Though the lack of currency convertibility is the most widely cited difficulty, they also say there are a number of other practical problems. These include:

- Negotiating with the bureaucracy in a climate of rapid change. Several authorisations may be needed to establish a joint venture and it is not always clear who has to provide them.
- Concern over the allocation of raw materials. Even in a climate where the role of central

planners is diminishing, it can be hard to secure access to essential raw materials.

Worries persist that state enterprises will be given preferential treatment over foreign companies. Theoretically, raw materials could always be imported, but the venture would have to generate enough foreign exchange to pay for them.

● Worries about the infrastructure. The Soviet Union lacks the infrastructure needed to back up a modern, efficient industry. Some Finnish companies complain, for example, that the establishment of a joint venture can also involve the building of housing, roads and even schools. Others say the inefficiency of the Soviet transport system means it is hard to ship products out of the country even if they are of

export quality.

However, most Western businessmen expect a gradual increase in joint venture activity. One reason is that the Soviet market is of a size that cannot be ignored by any major multinational company. Any that seek to do business there automatically come under pressure to do so by means of a joint venture which the Soviet authorities see as a means of attracting both capital and know-how.

According to a recent study by Mr Leonard Geron of the Royal Institute for International Affairs, Italy was already well ahead in this game, even before yesterday's announcement by Fiat. Out of 191 joint ventures founded in 1967 and 1968, which are identified in the study, Italy accounted for only 13 as

opposed to 26 from Western Germany. But the total capital invested in the ventures of Roubles 135.4m (£135m) was the largest of any Western country, exceeding even the £119.2m invested in West German joint ventures.

Recent political developments in East Europe have awakened new interest in joint ventures, especially in Poland and Hungary, where political reform has been fastest. This process could speed up, businessmen say, as the East bloc wins trade concessions by political reforms. This would give Western investors greater security because they would know that goods manufactured cheaply by their plants in the East could be exported for hard currency to the West without the risk of trade barriers slamming against them.

## US agrees changes to Superfund tax

THE US Senate has removed a long-standing bone of contention between the US and other members of the General Agreement on Tariffs and Trade (GATT) by accepting amendments to the Superfund tax on petroleum and petroleum products, writes Our Foreign Staff.

In the final flurry of work before Congress adjourned, the Senate approved provisions fixing the tax at 8.7 cents a barrel, thereby removing the discrimination against imported oil products, condemned by a GATT disputes panel in June, 1987. The amendment had

already been passed by the House of Representatives.

Since 1986, Washington has been financing a \$6m environmental protection programme by levying 11.7 cents a barrel on imported oil and 8.2 cents on domestic products.

US failure to comply with the GATT ruling formed one of three issues which has led the European Community, Canada and many other GATT members to accuse Washington of applying double standards in its trade policy.

Mr Rufus Yerxa, Deputy US Trade Representative, said the

Senate's last-minute decision "demonstrates that the US takes its international obligations seriously and that we respect GATT."

Earlier this month, the US accepted after long prevarication a GATT finding that its procedure for handling patent infringement cases under Section 337 of its Trade Act discriminated against imported goods. On the third issue - a 0.17 per cent customs user fee levied on imports - the US has still not complied with the GATT recommendation that it be changed.

## Sony TVs in Singapore

SONY, the Japanese consumer electronics and records group, is to build a \$350m plant in Singapore to manufacture picture tubes for its TV assembly factories in Malaysia and Thailand, Ian Rodger reports from Tokyo.

The factory is due to come on stream in the second quarter of 1992 and its output in the first year to reach 1m cathode ray tubes (CRTs).

Sony said the plant would displace exports of CRTs from Japan and was part of its strategy of establishing comprehensive colour TV manu-

facturing in main regional world markets.

● Peking's biggest industrial joint venture, a Yuan 500m (\$60m) plant making TV tubes, half-owned by Matsushita Electronics of Japan, has been formally opened. Peking Matsushita Colour TV Tube Co. will have a final capacity of 1.51m tubes a year when both production lines come on stream in 1992, it said.

The first started on July 1, two months ahead of schedule, and will produce 140,000 tubes earning Yuan 91m by the end of the year.

## Mexico, EC in ventures pact

By Richard Johns in Mexico City

TWO leading Mexican financial institutions, Banamex and Nafinsa, have concluded an agreement, under the aegis of the Government, with the European Community, aimed at promoting small and medium-sized joint ventures.

Under an accord signed in Mexico City during a visit by Mr Abel Maturus, Commissioner for Relations with Latin America, EC financing will be available for new projects and expansion or modernisation of existing ones.

Funds will come from the Ecu 30m (\$23m) aid appropriation set aside for those purposes for Latin America over the next three years.

The money will be disbursed on a "first come, first served" basis, Mr Erwan Fourné, EC Ambassador to Mexico, said.

They will be channelled through Banamex, one of the country's two leading commercial banks, and Nafinsa, the state-owned development bank, which is active in arranging

joint ventures, is in Brussels this week for talks with EC officials.

For new projects, interest-free loans of up to Ecu 500,000 will be available for feasibility and market studies, construction of pilot plants and manufacture of prototypes.

Financing - also up to Ecu 500,000 - will be available for modernisation and expansion of existing enterprises, through either an EC subscription to the capital of the company in question, or a loan.

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UK NEWS

# Tories under fire over sale of Rover to BAE

By Kevin Done and Ralph Atkins

THE Government came under heavy fire from the National Audit Office yesterday for selling Rover Group to British Aerospace (BAe) at a price which "fell significantly short of the real value of the company."

The National Audit Office (NAO) found that, in the Government's haste to offload the previously chronically loss-making car maker, many millions of pounds were denied to taxpayers.

Those same taxpayers had poured a total of £3,550m into keeping Rover (previously British Leyland and BL) afloat between 1975, when it was taken into public ownership, and 1988, when it was bought by BAE.

The report provoked angry exchanges in the House of Commons as Mr Neil Kinnock, the Labour Party leader, accused Mrs Margaret Thatcher, Prime Minister, of "short-changing" Britain and demanded a public apology for this gross incompetence.

Mrs Thatcher was forced onto the defensive, claiming that the Government had "struck the best deal it believed it could."

She said that Rover had not made a profit since 1976, apart from the year in which it sold Jaguar. The privatisation had been "a major achievement."

The inquiry by the NAO, the parliamentary watchdog which monitors the performance of government departments, into last year's £150m disposal of the leading UK car maker, follows its earlier critical report on the Government's sale of Royal Ordnance, the state-owned armaments supplier, to BAE.

Mr Gordon Brown, opposition spokesman on trade and industry, described the report as "a damning indictment of ministerial mismanagement over Rover - the latest in a catalogue of government waste of taxpayers' money through inefficiency and dogma."

MPs will have a first opportunity on Monday to question Sir Peter Gregson, permanent secretary at the Department of Trade and Industry (DTI), over the Rover Group sell-off at a meeting of the powerful Public Accounts select committee.

Sir Peter is expected to be pressed by Mr Robert Sheldon, the committee's Labour chairman, about whether taxpayers got value for money and on methods used to value Rover's assets.

# Opposition claims Thatcher still against EC charter

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher, the Prime Minister, will hold talks in London on Friday with Mr Jacques Delors, the president of the EC Commission, a week before the European Council meeting at which Britain is expected to voice its continued opposition to the social charter and to plans for full monetary union.

With the social charter due to be debated in parliament today, the opposition Labour Party last night revealed what it claimed to be the contents of a letter from Prime Minister Thatcher to President Francois Mitterrand of France suggesting that she had firmly ruled out British consent to the charter.

There have been some indications recently that Mrs Thatcher has tempered her firm opposition both to the charter and to moves towards monetary union, suggesting that compromises might be possible in some areas. But Labour claims her letter, written to President Mitterrand a month ago, says any agreement on the charter which is based on the existing draft seems impossible.

Mrs Thatcher has apparently told Mr Mitterrand that the social charter proposals run counter to the British Government's policies pursued during the last 10 years. She claims the latest draft represents an improvement over earlier attempts and repeats the Government's readiness to consider a broad declaration of rights; she adds, however, that such a declaration should be considered to be only a statement of principles and not in a way which could lead to detailed legislation.

Mr Tony Blair, Labour's employment spokesman, said the letter proved Mrs Thatcher's isolated opposition to the charter was based not on fears over sovereignty, but solely on ideological grounds. Labour will today press home its charge that the Prime Minister is increasingly isolated, hoping further to expose the internal differences over Europe within the Government.



Mrs Thatcher

Downing Street was last night playing down the significance of Friday's talks with Mr Delors, the principal architect of the proposals for monetary union, pointing out that it was nearly three years since they held substantive, bilateral discussions.

The meeting was not being portrayed as an opportunity to seek out possible compromises on the issues to be discussed at Strasbourg next week, but an opportunity for an update on respective views. Even so, the issues are expected to dominate the conversation.

Government sources were stressing Britain's continuing rejection of a social charter proposal, which they said would pay no attention to national characteristics and would raise unemployment.

In her interview on BBC television on Monday, Mrs Thatcher gave little hint of any compromises next week when she repeated her refusal to contemplate EC measures which might hand over powers to "non-accountable" bodies. She rejected stages two and three of the Delors plan for monetary union, which she said had not been worked out and which demanded the "full yielding up of sovereignty."

# Contractors offer light at the end of the tunnel

Kevin Brown reports on two private sector alternatives to British Rail's high-speed Channel rail link

OVE ARUP, the consulting engineers, yesterday announced a £10.5bn alternative to British Rail's plans for a high-speed line from London to the Channel tunnel on the south-east coast.

The proposal confirms that the battle over the line is not over, despite BR's unexpected success earlier this month in putting together a deal with the private sector.

BR believes that its agreement to set up a joint venture to build and operate the line with Eurorail - a consortium of Trafalgar House and BCC - will enable it to raise up to £4bn to finance the project, and to come forward with a private bill for parliament next year. The state rail corporation also has the support of Mr Cecil Parkinson, the Transport Secretary.

However, there is significant opposition to BR's plans, especially in south London, where the corporation has abandoned plans for a £1.5bn tunnel and now proposes to run international trains on or alongside existing tracks.

Two rival projects have now been proposed, each backed by powerful private-sector interests. Both camps hope to build sufficient public and parliamentary support to force Mr Parkinson to order a review of all the options.

The two alternative proposals are:

- The Tals route (Thames Alternative International System), which is based on a £2.5bn tunnel and is being promoted by Manufacturers Hanover, the US bank, supported by Bechtel, the US construction group; John Mowlam

and John Laing, the UK construction group; Bank of America; Maunsells, the engineering consultants; GTM Entrepouse; S.G. Warburg, the merchant bank; and MCA, the US group that owns Universal Studios and plans to build a theme park near the route in Essex.

• The Arup route, promoted by Ove Arup and backed by 10 financial institutions including Prudential Assurance, Guardian Royal Exchange Assurance and SI (Investors in Industry, the venture capital group).

The Arup plan is supported by Mr Gerry Bowden, the Conservative MP for Dulwich in south London, and is likely to be backed by other MPs representing constituencies in south London and Kent, the county necessarily crossed by any rail link, that would be affected by BR's scheme.

Both proposals would involve the construction of a mainly four-track line - rather than BR's two tracks - built to the Continental European loading gauge rather than the smaller UK gauge, as proposed by BR.

That would allow wider and higher Continental trains to use the line, avoiding the need to build special rolling stock. Both would avoid the political and environmental difficulties of passing through south London by abandoning BR's main terminal at Waterloo, on the south bank of the Thames in central London, and approaching London from the east.

The Manufacturers Hanover scheme would terminate at Stratford, in north-east London, while the Arup scheme would use both Stratford and BR's second terminal at King's Cross, north of the capital's centre.

Both routes would carry freight trains as well as passengers, avoiding the need to run freight trains through south London.

The rival projects face a number of difficulties. Both promoters claim their routes would be environmentally preferable to BR's route, and would be welcomed by the local authorities in Essex, the county north east of the capital, and east London itself.

However, there is strong opposition from Swale District Council, centred on Sittingbourne in Kent, to any change from BR's route, and there is no guarantee that protests would be any less passionate than those from residents along BR's route.

Moreover, neither alternative project makes sense except as part of a radical reshaping of the UK railway system. Both would require substantial upgrading of track to allow Continental (TIC) gauge trains to move beyond London.

Arup admits that this accounts for much of the £10.5bn price tag on its scheme, but says a TIC network is essential if the UK is to participate fully in the European Community after the completion of the single market in 1992.

A terminal at Stratford would have some advantages, including support from the local council, more space for car parking, and easier transfers between trains. There are, however, two crucial drawbacks.

Stratford is several miles east of the City of London, the financial centre, and the West End, the tourist, theatre and shopping heart of the capital, where most passengers would want to go, and there is no satisfactory public transport link.

London Underground's Central Line which traverses the capital will still be overcrowded even after a £72m renovation is completed in the mid 1990s, and a planned extension of the Jubilee Line to Stratford is required simply to cope with existing congestion and the massive Docklands office and housing development in the East End.

Both alternatives would overcome this by using the £1.5bn East-West Crossrail scheme, which was proposed by a government study to link BR's Western Region terminal at Paddington with the terminal at Liverpool Street in the east of the City of London (with a possible extension to Stratford).

Manufacturers Hanover thinks that Crossrail would provide an Underground link to central London.

More ambitiously, Ove Arup proposes to run a spur from Crossrail to King's Cross, giving Channel tunnel access to the main lines to the Midlands, the north and Scotland. That would overcome the second main drawback of Stratford, which is the poor quality of links to the rest of the country. In the Ove Arup plan, Stratford would be used largely as a terminus for trains from Stansted Airport, London's fourth main airport north-east of the capital.

The difficulty with relying on Crossrail is that the Government has already postponed for a year a decision on whether or not to proceed, and has said that it will not be built if a better case can be made for the Chelsea to Hackney Tube proposal in London, which is not relevant to the high-speed-line debate.

Ove Arup yesterday suggested that the private sector might offer to foot 20 per cent of the Crossrail bill as a sweetener.

Mr Colin Stannard, chairman of Kent Rail, the Ove Arup subsidiary promoting the project, said he was confident the scheme could be financed as a joint public/private-sector project. He agreed that the company was proposing more than a simple high-speed line.

"Our idea is that InterCity and Freight should be the partners with the private sector, not British Rail," he said.

That means that the two BR business sectors that make profits (and subsidise the Network SouthEast and Provincial services) would have to be separated from the rest of the corporation and established in a new joint venture with a private sector consortium.

The joint venture would own and operate all freight and InterCity passenger services, both within the UK and through the tunnel.

The first step, however, will be to persuade Mr Parkinson to drop his support for BR and Eurorail, and call in all the schemes for full analysis.

BR will be hoping that this would be too embarrassing for the Minister to contemplate.

BR's second terminal at King's Cross, north of the capital's centre.

Both routes would carry freight trains as well as passengers, avoiding the need to run freight trains through south London.

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'85	~58	~42
'86	~60	~40
'87	~62	~38
'88	~65	~35



## UK NEWS

## Government urges industry shake-up

By Charles Leadbeater

THE Government yesterday sanctioned what would amount to a revolution in the organisation of most UK manufacturing companies.

A report published by the Department of Trade and Industry (DTI), calls for sweeping changes in the way companies operate. In doing so it has joined a growing consensus that manufacturing is on the verge of a new era, variously described as post-Fordism, flexible specialisation or modular manufacturing.

The report, commissioned by the DTI from PA Consulting Group, the management consultancy, warns: "The chief executive should be prepared in many cases to see a total change in the way the business needs to perform."

Industry Minister Mr Douglas Hogg, who launched the report, said: "Business has improved in the 1980s. There have been massive changes in working practices and production technology. But that does not alter the fact that it has been narrowly focused. This report attempts to broaden the focus and stimulate a new debate."

The report's main theme is that the 1990s marks a break in the development of manufacturing.

Traditional factories produced most of the components they needed on a single site. They used a strict division of labour and dedicated machinery

The supply of certain core technologies is becoming dominated by a limited number of large, powerful, global businesses - many of them Japanese.

to produce large volumes of standardised products for a stable national market.

The factory of the future will take many of its components from external suppliers. It will use interchangeable teams of skilled workers and flexible computer-controlled machinery, to produce smaller batches of customised products, for shifting international markets.

The starting point for this forecast transformation in manufacturing is a growing demand for stylishly designed, high quality products, which are more closely tailored to a customer's needs. Where companies once competed just on price and quality, they will in future compete on the customisation and technological sophistication of products.

This, in turn, carries far-reaching implications for the way products are made.

The traditional factory aimed to meet general forecasts of market demand by producing stockpiles of products. The manufacturer of the future will need to respond directly to demand from retailers transmitted by information technology links. Companies will have to develop new prod-

ucts more rapidly to meet shifting consumer tastes.

Relationships with component suppliers will be at the heart of manufacturing in the 1990s. The decision whether to make a component, or purchase it from a supplier, will become even more critical in the next decade.

More intense competition will force companies to concentrate on building up their competitive advantage in only a small range of activities.

The report advises companies to concentrate on making the core components which they have expertise in producing or which set their product apart. Thus car companies are retaining control of production of the electronic control systems for engines.

But non-core components will increasingly be sub-contracted. The trend towards products which incorporate

complex new technology - microprocessor controlled washing machines - will make it impossible for companies to be experts in all aspects of the product. It is inevitable that there will be more external sourcing.

Thus manufacturers will

increasingly become specialised designers and assemblers of components made by sub-contractors. They will operate within a network of supplying companies, often in far-flung parts of the world.

As a result, at some companies the efficient purchasing of components from suppliers has become more important than engineering.

However, the report warns that sub-contracting has turned components suppliers into the new barons of industry. "The supply of certain core technologies is becoming dominated by a limited number of large, powerful, global businesses - many of them Japanese."

Finally, factories will have to become much more flexible. The great manufacturing combines of the past had too much inbuilt inertia, which meant it was difficult for them to adapt to rapid market changes. Factories of the future should not be overburdened with new technology, but have the skilled workers capable of switching computer-controlled machinery from one product to another very quickly.

The implications of the report may be hard for manufacturers to accept as they struggle with slowing demand in the next year - but it would appear that the Government has officially declared they are on the verge of entering a brave new world.

## In Brief

## Managers say health needs 10% funds rise

National Health Service finance managers indicated that the service needed at least a 10 per cent increase in funds to forestall "significant service reduction," writes Alan Pike.

The figures are based on the expectation that inflation will exceed the government's inflation assumptions.

Although the health service gained a more generous allocation of funds that other areas in this month's Autumn Statement of government spending plans, the Healthcare Financial Management Association emphasised that it was "crucial" that increases in pay and prices should not greatly exceed the statement's 5 per cent inflation figure for 1990-91. It said that if inflation were contained at 5 per cent, health authorities should be left with about £286m from the Government's allocation to develop the hospital and community health services. A 7 per cent inflation rate would mean that the authorities find another £272m.

## Satellites freed

Britain's seven private satellite operators will be free to provide telecommunications services across Europe, Mr Nicholas Ridley, Trade and Industry Secretary, confirmed.

## Tourist body cuts

The British Tourist Authority and the English Tourist Board are to streamline their operations with the loss of almost 150 jobs, the Government announced. Mr Norman Fowler, Employment Secretary, said £4m was to be taken from the BTA and ETB's grant and redistributed to the regional tourist boards. The bodies now receive £40m in government grants.

## Gilts cancelled

The Bank of England announced it would cancel government gilt-edged stock with a nominal value of £4.5bn that it had bought from the market to offset the monetary effects of the Government's large budget surplus.



A determined Sir Anthony Meyer, who is poised to challenge Prime Minister Margaret Thatcher for the Conservative Party leadership, yesterday said the Government's fall in opinion polls showed that it was not listening to the people. "If they dropped the poll tax and water privatisation, and if they showed some enthusiasm for Europe and did something about pensions and war widows... then I would change my mind."

## Kings Cross project approval postponed

By Paul Cheeseright, Property Correspondent

THE DEADLINE for obtaining planning approval for Europe's biggest inner city regeneration scheme - on 134 acres of derelict land beside London's Kings Cross station in north London - has been postponed from next February until the autumn.

However, this would still allow the London Regeneration Consortium - comprising Rosehaugh, Stanhope Properties and NCF Properties - to start work on the site during 1991, as originally planned.

The postponement, agreed by the consortium, the London Borough of Camden and the British Rail Property Board, stems from British Rail's problems over its plans for a high-speed rail link from London to the Channel Tunnel and new passenger terminals at Kings Cross.

BR has delayed until autumn 1990 laying before Parliament the bill to obtain approval for a high-speed rail line while it sorts out the cost of construction and operation. But its bill to give the new line a terminal at Kings Cross and to provide a new station for the cross-London Thameslink line is now at the committee stage in the House of Commons.

The Camden planners feel that because the stations would be underground they should be dealt with before the overground developments. Also, they do not wish to make decisions until they can estimate future traffic levels and public transport needs.

The agreement to back away from any immediate decision on the regeneration scheme comes against a background of disagreement between the council and the consortium on the commercial-community balance of the project.

The council believes the development is too dense and that there are too many offices and too few homes and community amenities. However, neither side wants the talks to break down, opening the way to a public inquiry.

At the same time, British Rail is in dispute with the Special Trustees for St Bartholomew's Hospital, who claim title to some of the Kings Cross land.

St Bartholomew's owned 125 acres of the land until 1948. Talks between the two broke down two months ago and St Bartholomew's now expects its case to be heard in the High Court next February.

## De Savary plan voted through

By Vanessa Houlder and Paul Cheeseright

MR Peter de Savary's contentious £200m project to build a new village on the Essex coast has won local approval.

The 31 to six vote by the Castle Point District Council that it is "minded to approve" the plan for Northwick Village on Canvey Island brought some comfort to Blue Arrow, the employment agency group.

Blue Arrow, when under the control of chairman, Mr Tony Berry, made an unsecured loan of £25m without interest to Mr de Savary for the project, in the hope that profits from the property venture could finance its America's Cup yachting ambitions.

Last May, concerned about the future of the project and under new management, Blue Arrow made provision in its accounts for losses arising from the loan.

Mr de Savary's success in winning District Council approval for the new village takes him a step nearer repayment of the loan.

Mr de Savary indicated that he would be prepared to consider accelerating repayment of the Blue Arrow loan, which is due in July 1991.

## Ambulance workers lose court pay ruling

By Fiona Thompson, Labour Staff

AMBULANCE workers taking industrial action across the country were dealt a blow yesterday when a High Court judge ruled that a health authority was entitled to dock the pay of staff taking action.

Six London ambulancemen sought an injunction banning the South West Thames Regional Health Authority from docking two weeks pay from their November pay cheques.

But Mr Justice Auld refused to grant the order.

He said the men, excluding one who is on sick pay and will receive his full money, had admitted they had been in breach of their contracts by refusing to obey a rule to radio back to central control at the

completion of each job.

The men said afterwards that they would not appeal against the ruling but unions representing the country's 22,500 ambulance workers said they would be considering suing local authorities for loss of pay.

A number of crews throughout the country have been warned by management that their pay may be docked for refusing to work normally.

Since last week, the majority of ambulance workers have imposed a ban on carrying out all non-emergency work, which has resulted in tens of thousands of people not being able to get to and from hospital appointments, out patients clinics and day centres.

Throughout, the crews have pledged to answer all emergency calls.

For 11 weeks now, ambulance staff have worked overtime and rest day working in a bid to get an improved pay offer. They have rejected a 6.5 per cent one year deal and union leaders say a revised 9 per cent 18 month deal is no improvement.

The court decision is bound to cause great concern to ambulance workers, especially so close to Christmas, but the unions denied it might lead to crews abandoning industrial action.

Staff in the north east have dropped the ban on non-urgent work which Nupe, the biggest ambulance union, said yesterday was because of "gross intimidation" by management. And 100 ambulance workers in Derbyshire were said to have resumed normal duties.

Nupe claimed the effect of the judgment would be to make ambulance workers more determined. The public had donated thousands of pounds to the ambulance fund and the money would be distributed to staff in December.

Mr Bill Taylor, director of operation services for the South West Regional Health Authority, said: "We are clearly vindicated. The authority is very pleased that the judge found in our favour. We have taken a stance that if people don't work, they don't get paid."

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## UK NEWS

## Building chief warns on 'stop-go'

By Andrew Taylor, Construction Correspondent

THE PRESIDENT of the Building Employers' Confederation last night warned the Government not to return to the stop-go economic policies that badly damaged the construction industry and restricted investment in infrastructure during the 1970s.

Sir Clifford Chetwood, chairman and chief executive of Wimpey, one of Britain's biggest construction groups, said: "We are doing reasonably well on turnover in contracting at the moment, but orders are

thinning out and we are heading for a downturn in the second half of next year."

He called on the Government to lower interest rates, to raise public investment in infrastructure and to raise the ceiling for mortgage tax relief from £30,000 to £50,000.

Sir Clifford was speaking at the annual dinner for members of the confederation, which represents more than 900 companies with a combined annual turnover of more than £25bn.

He said the construction

industry would not stand by and quietly accept a reversion to stop-go economic policies.

The Government had rightly encouraged private investment at the expense of public spending, but that had made construction investment vulnerable to high interest rates.

Sir Clifford said: "There are many areas of the country that need regeneration. If my forecast of a decline is correct, then the Government has adequate time for consultation to determine where further

expenditure on infrastructure is necessary."

He called for a cut in base interest rates to 12-13 per cent from their present level of 15 per cent, which he said would be sufficient to control inflation, while rekindling confidence and activity in the private housing market, which had been particularly badly affected.

He said that stamp duty, the tax payable on purchase of a property proportional to its cost, should be abolished.

## Glaxo stops biotech drug projects

By Peter Marsh

GLAXO, Britain's biggest drugs company, has dropped its development of two biotechnology-derived drugs once heralded as major breakthroughs in the fight to combat AIDS and cancer.

The drugs are interleukin-2 and granulocyte macrophage colony stimulating factor (GM-CSF), both of which are based on human proteins and which in recent years scientists have been able to make in large volumes using new biology techniques.

Glaxo said it had dropped development of the products, which had been at an early stage, because of its wish to concentrate on other drugs being researched. "We decided our priorities lay elsewhere," the company said.

The announcement underlines the difficulties which have beset the biotechnology-products which caused excitement in the early 1980s.

Glaxo started development of the biotechnology products two years ago.

## Minister will examine Shorts security review

By Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland Secretary, said yesterday he would study closely the review of security at Short Brothers, the Belfast aircraft and missiles company, after the double IRA bomb attack at the complex on Monday.

Shorts, which recently became part of Bombardier, the Canadian group, has launched an urgent inquiry into how terrorists were able to breach security at the premises twice in the past four months.

A main obstacle is that the Shorts factory is part of a huge industrial estate housing dozens of companies and balancing security with reasonable access is difficult.

Mr Brooke said it was impossible to quantify the damage such attacks inflicted on the international image of the company.

Shorts has a full order book and is working flat out to meet deadlines for customers includ-

ing the Ministry of Defence and private groups such as Fokker, the Dutch aircraft manufacturer.

Mr Brooke said: "As far as I am concerned, the review that is under way is of extreme importance, and I hope we will be able to learn lessons from it."

He said the bombing was part of the IRA's "vicious spiral" of attacks on economic targets in Northern Ireland, which can only worsen the unemployment situation.

The nearby Harbour Airport, also owned by Shorts, was closed for most of yesterday and all flights were diverted to Belfast International Airport.

Monday night's attack was a carbon copy of an IRA attack in July, when three devices exploded.

Terrorists said then that Shorts had become a target because it supplied high-technology military equipment to British forces.

## US group in pipeline venture

By David Blackwell

THE FIRST joint venture between a big gas producer and an electricity generating company - a £15m-£20m gas pipeline - was announced yesterday.

PowerGen, the smaller of the two successor companies to the Central Electricity Generating Board and Conoco, the US oil company, will be equal partners in the project.

The 50km pipeline will run from Conoco's gas terminal at Theddlethorpe in Lincolnshire to the planned 1,020MW combined-cycle gas turbine power station at Killingholme in South Humbershire.

The joint venture, to be known as Kinetics, is planning further expansion and development after the privatisation of PowerGen. This may include the supply of natural gas to industrial customers in Humberside, the North West and the Midlands, where many of PowerGen's power stations are.

Plans are that the pipeline should be constructed in 1992 in readiness for the start-up of the power station later in the year.

## Plastics industry 'set for a slowdown'

By Peter Marsh

A SLOWDOWN in the recent growth of the UK plastics industry is forecast in a study that paints a largely gloomy picture of the outlook for British manufacturing over the next 12 months.

The survey, by the British Plastics Federation, says many companies in the £10bn-a-year sector are worried about demand in 1990 from their main UK customers in sectors such as construction, packaging, cars and consumer goods.

According to the federation's forecasts, which are part of a survey of member companies repeated every six months, only a third of UK companies which supply plastics materials expect domestic sales to rise by more than 5 per cent over the next year.

About a quarter of companies in the sector expect a sales fall.

Companies involved with packaging applications - which have generally

seen good growth in recent years - predict a slowdown.

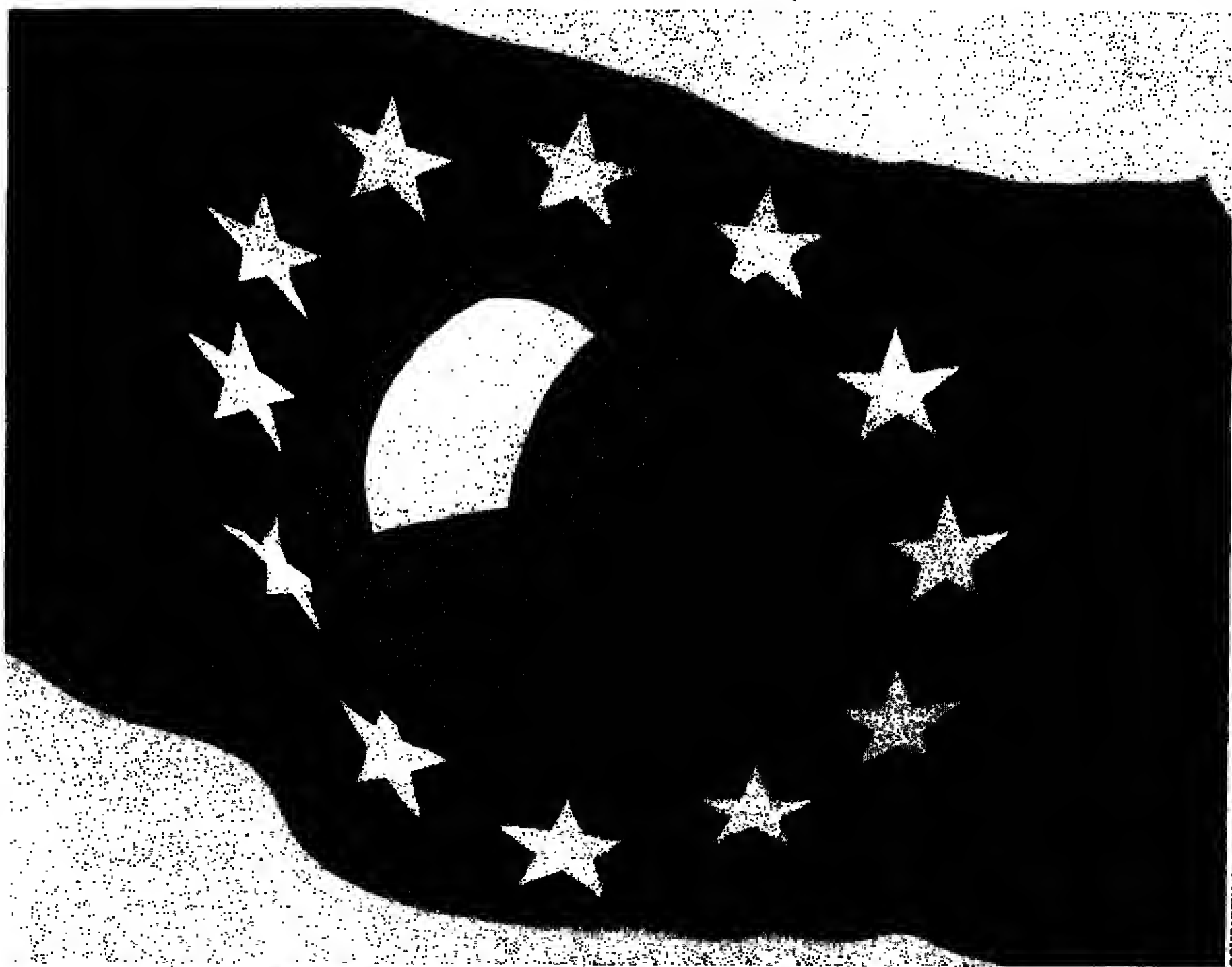
Only 42 per cent of the companies surveyed expect UK sales to expand by more than 5 per cent in 1990. That contrasts with the 76 per cent by which sales increased in the past year.

As for companies which make plastics-production machinery - the smallest part of the UK plastics industry - the sales outlook is still more pessimistic, with 90 per

cent of companies expecting home sales to fall over the next year.

Partly as a result of this expected fall, many companies in the sector are stepping up their export efforts.

Autumn 1989 Business Trends Survey, available from British Plastics Federation, 5 Belgrave Square, London SW1X 8PL, free to contributing members, £25 to non-members.



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MANAGEMENT

## Corporate investment A Japanese view of the importance of manufacturing

Terry Yamazaki tells Nick Garnett of his concern for UK production



Terry Yamazaki: Westerners have a cultural problem. They should try and defend themselves more.

Terry Yamazaki, president of the world's biggest machine tool company, soaks his head gently. "One of my managers in England says he saw a radial drill in use in a British car plant." A radial drill? To Yamazaki this is yet another sign of a piece of old style equipment which he thinks has no place in a modern factory.

Sitting in a traditional Japanese restaurant in Nagoya near the main production plants of Yamazaki Mazak, Terry Yamazaki muses on the state of British industrial investment. His company opened a machine tool plant in the UK three years ago.

"I hear there are signs that there is an investment downturn in British industry. We understand investment cycles. We have this phenomenon in Japan but Japan's industrial investment has been high."

"A slow-down would be wrong for British industry. In the past two or three years you have made some investment but industry is very behind in some ways. If they are not going to do much investment over the next two to three years I do not believe there is a future for some of your manufacturing sectors."

Making any comparison with Japan on manufacturing is bound to leave the UK looking decidedly second rate. Yamazaki's own lifestyle, his large home, Rolls-Royce and 12-cylinder, long-wheelbase BMW and the collection of expensive paintings housed in his spacious wood-paneled office has been wholly built on Japan's enormous manufacturing success.

The share which manufacturing has of Japan's GNP has actually risen over the past 15 years to more than a third and the grinding commitment to investment there shows no let up. The Japanese machine tool industry, the world's biggest, has the largest backlog of orders in its history and 70 per cent of its output is pouring into Japan's own factories.

But Yamazaki, whose factory in Worcester exports 80 per cent of its production, makes some unattractive comparisons between the UK and his main European competitors. In terms of installing clever, flexible production cells, he puts it behind France as well as behind West Germany. "In terms of a cerebral approach, I think French companies are the best," he says.

Like most Japanese managers talking about foreign markets, Yamazaki says he does

not want to offend. It is not really his place to criticise the UK.

But Mazak as a company is keen to build up its European market and, in terms of selling its machining centres and lathes as part of computer-controlled flexible production cells, it has some tough European competitors in Mandelli of Italy, West Germany's Fritz Werner and the very much smaller FTM in Britain. It has invested £20m in the plant it built in Worcester. "We do not want the UK to give up. It is a big potential market for us."

Working in such a powerful manufacturing culture as that of Japan, Yamazaki cannot understand the view that the UK's visible trade deficit is a temporary phenomenon that

does not matter. "I think it is a big problem for the UK. A country's wealth stands on its manufacturing."

Some might say that it is disingenuous for a Japanese company to criticise the UK's manufacturing performance when Japan's domestic market is partly closed and Japanese trade tactics have often fallen some way short of being fair and gentlemanly, to the detriment of the British competition. The UK's visible trade deficit with Japan, though, is a half that it has with West Germany.

But working in a country where meetings between government officials and industrial bosses are regular occurrences, Yamazaki cannot understand why UK manufacturing appears to be drifting.

"There should be a national movement in the UK involving politicians, economists and industrialists to look at the whole issue and create a strategy to produce more, particularly more value-added goods." This, of course, is alien to UK culture. But Yamazaki's reference to it underlines one of the things that is possible in Japan but not in Britain: a planned industrial approach, involving business and government officials, to an industrial problem.

But two other differences between Japan and the UK are demonstrated by the performance of Yamazaki Mazak and the views of Yamazaki himself. These are the aggressive attachment by Japanese companies to size and the strong culture of self-protection in the Japanese domestic market.

Motoharu Miyata, a Yamazaki Mazak senior manager, spent three happy years at Mazak's plant in Worcester. But some things in the UK still surprise him.

"The market share a company has is a big issue for Japanese management," says Miyata. "But in the UK, in many sectors, no one seems to know who is number one or number two. It's very difficult to get information. We tried to get some from the Department of Trade and Industry and I think we had to wait a year or maybe it was longer. Some people in the UK are very capable and you have all this technology in your offices so why you cannot produce information I do not know."

Yamazaki Mazak has been at the forefront of Japanese investment overseas; it built a plant in the US in 1974. Its owner believes Japanese companies could do more to set up production facilities overseas and buy components locally to supply them. But he does not try to fool anyone about Japan's domestic market.

"It is wrong to say the Japanese market is 100 per cent closed, but normal economic principles do not always work in Japan," he says. "The Japanese personality is what I would call wet rather than dry. If your neighbour is selling merchandise you would buy it even if it was poorer quality and of higher price than something from further afield. It's like having a relative selling you something. He is my relative so I buy from him. Westerners I think are too dry. It is a culture problem for them. They should try and defend themselves more."

But not, he hastens to add, by erecting trade barriers.

## First the theory, now more practice

LBS is placing greater emphasis on industrial activities, reports Christopher Lorenz

The London Business School has been criticised in the past for paying inadequate attention to the practical needs of industry, and too much to the sort of analytical skills needed in finance and consultancy. Acknowledging that some of this has been justified, it is now to double the size of its staff in what has been the Cinderella of its activities: production and operations management.

The move brings together two of Europe's leading operations management professors, Terry Hill from Bath University and Chris Voss from Warwick Business School. Together with a newly recruited lecturer, they will increase the LBS operations management faculty to six from next April.

Hill and Voss, who are closely identified with the belated, but growing popularity in British industry of the concept of "manufacturing strategy" will work closely with service companies as well as manufacturers: one of their first steps will be to establish a service forum.

Though this is only the first of a number of expansion moves in several subject areas which are expected to be made at LBS under Professor George Bain, who took over as the school's principal in the summer, it is seen as particularly significant - in terms both of student interests and of industry's needs.

It comes at a time when business school students are becoming more attracted by jobs in manufacturing industry - and when some industrial employers seem not only to be overcoming their past resistance to hiring such high-fliers, but also offering them better pay.

Over the past four years the proportion of LBS graduates going into manufacturing industry has risen steeply - from only 11 per cent in 1986 to 37 per cent this year. The rise is accounted for only in part by the slump in recruitment by financial institutions; over the past two years their uptake of graduates has fallen from 39 per cent to 23 per cent of the LBS total.

At the same time the proportion going into consultancy

has fallen, from 37 per cent in 1986 to 33 per cent this year. This is in spite of the fact that, with the return of some sanity to remuneration levels in financial institutions, consultancy now tops the starting salary league for LBS graduates, at an average of £35,000. More significant is the fact that average starting salaries for LBS graduates going into manufacturing this year are up to £28,000 - the same rate as for jobs in non-financial services, and only £2,000 less than in finance itself.

In contrast with past practice, it no longer seems to be the local subsidiaries of American manufacturing multinationals which are making most of the running; two-thirds of the recruiting manufacturers this year for LBS graduates were British, and only a third US-owned.

Explaining why the size of the school's operations faculty is being enlarged so sharply, Bain says that "business schools almost always have a collection of strong functional specialisations: finance, economics and so on. But they often need to be strengthened

in what they offer general management and especially manufacturing. Operations is at the heart of general management, in both manufacturing and services."

One of Hill and Voss's main achievements at Bath and Warwick has been to help a growing number of companies to start developing manufacturing strategies which are matched with their marketing and corporate priorities. All too often, claims the duo, marketing and production decisions are made in isolation of each other.

One result, says Hill, is that companies have tended to install flexible manufacturing technology "as a strategic cop-out" - an expensive technological response by the production function when flexibility was not really required at all. "In many cases you don't need that - what you do need is to match manufacturing with the marketplace," says Hill.

"If manufacturing is omitted from your company's strategic debate," he warns, "you leave 80 per cent of your investment and people out of synch with the marketplace."

## A holistic approach to manufacturing

There has been quite a number of successful manufacturing revivals in UK industry - from British Steel to many lesser fry - over the past few years. But there is still far too much "management by rhetoric" and "half-baked action", according to Chris Voss, professor of manufacturing policy and strategy at Warwick University.

Voss, who will be moving to the London Business School next spring, blames companies' false starts on what he alleges is a widespread "lack of the bravery needed to change the whole company."

"Manufacturing companies tend to manage by 'change programme' rather than by changing the way they organise manufacture," he claims. "You can take Total Quality Management, Just in Time, Islands of Automation, etc. only to a certain point."

To go beyond that stage, Voss argues, you should start the whole process by developing a manufacturing strategy - a clear sense of direction for

every aspect of your production facilities, backed up by detailed analysis. Above all, this should be integrated with marketing and corporate strategy.

Explaining the concept of manufacturing strategy to a Strategic Planning Society conference in London earlier this month Voss argued that production was too often treated merely as an operational function - reactive to what a company's marketing specialists told it to make.

This compartmentalised approach to manufacturing could be disastrous, Voss warned. It resulted in factories being forced to make far too wide and uneconomic a range of products, frequently with entirely unsuitable types of production facilities.

A particularly common problem, he said, was of companies with production lines trying to make an ever-increasing variety of low-volume products a manufacturing pattern which is far more suited to plants organised on a batch or even "job shop" basis. At Ladybird

Knitwear, for instance, this eventually helped lead to the company's collapse as a high-volume manufacturer.

To overcome such manifest dangers, said Voss, companies should constantly ensure that production considerations were taken into account during the formulation of marketing and corporate strategy decisions.

For this to be done effectively, marketing strategy needed to be at least five years ahead, instead of concerning itself just with "what shall we do next week, or in the next marketing campaign?"

The objectives of marketing strategy also needed to be expressed in terms which were relevant to manufacturing, said Voss.

For instance, such factors as product range, mix, volumes and degree of standardisation/customisation must be assessed. So should the key competitive factors which would actually win orders in the marketplace, whether they are price, quality, delivery speed/reliability, colour range,

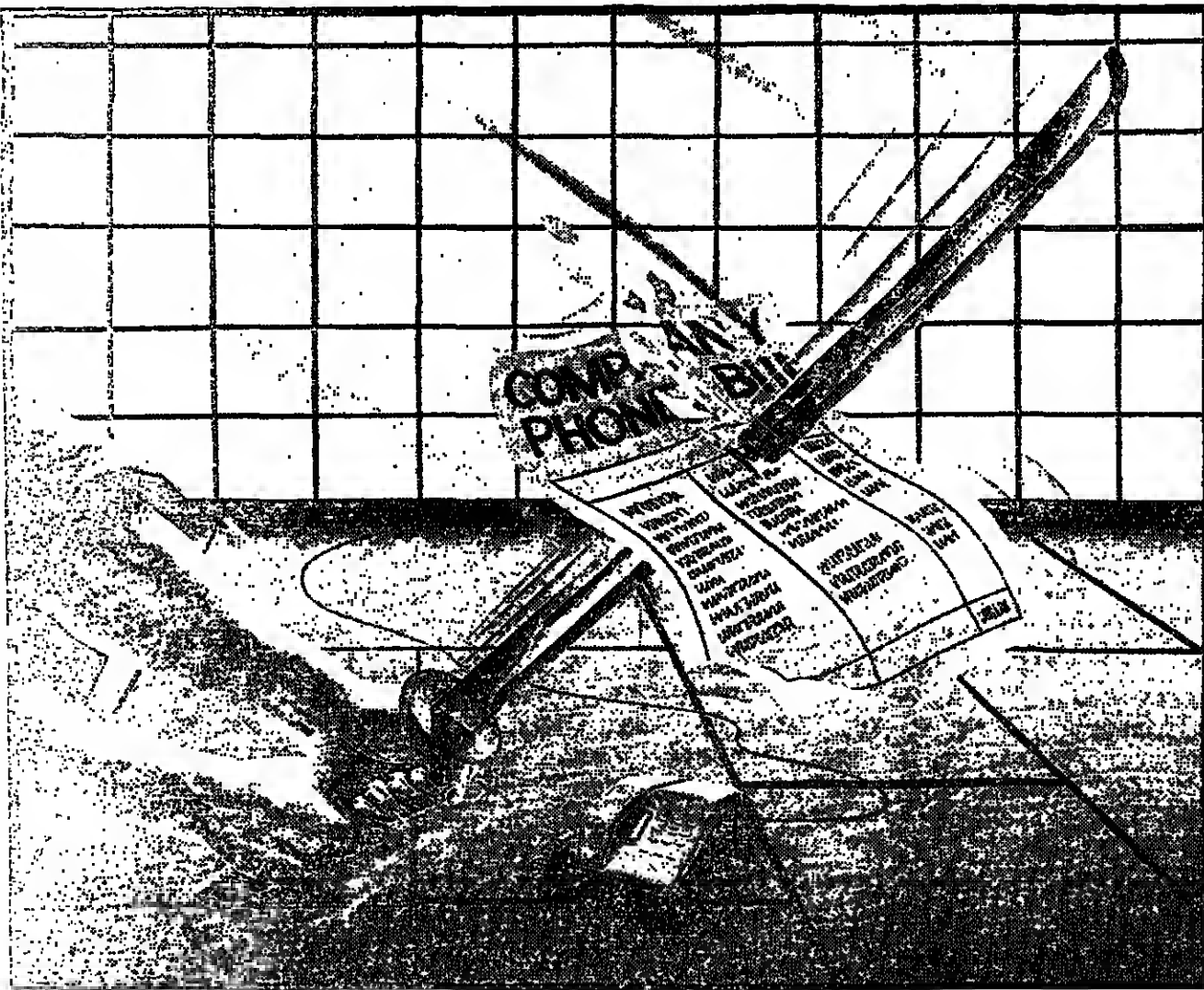
or design leadership.

"You can't win orders on all dimensions," Voss pointed out. "But many marketing strategists don't even use these terms."

Examplifying the significance of such factors from a manufacturing point of view, Voss underlined the importance of knowing well in advance how stable the production mix was likely to be. He knew of a car manufacturer which, against all market trends, had recently made the dangerously heroic assumption that its ratio of large-to-small engines was likely to remain the same over the next few years.

To ram home the need for close co-ordination between manufacturing and marketing Voss also cited the extraordinary case of a company which decided to make a £100m production investment without telling its own manufacturing people what the marketing strategy was. Apparently it was "confidential".

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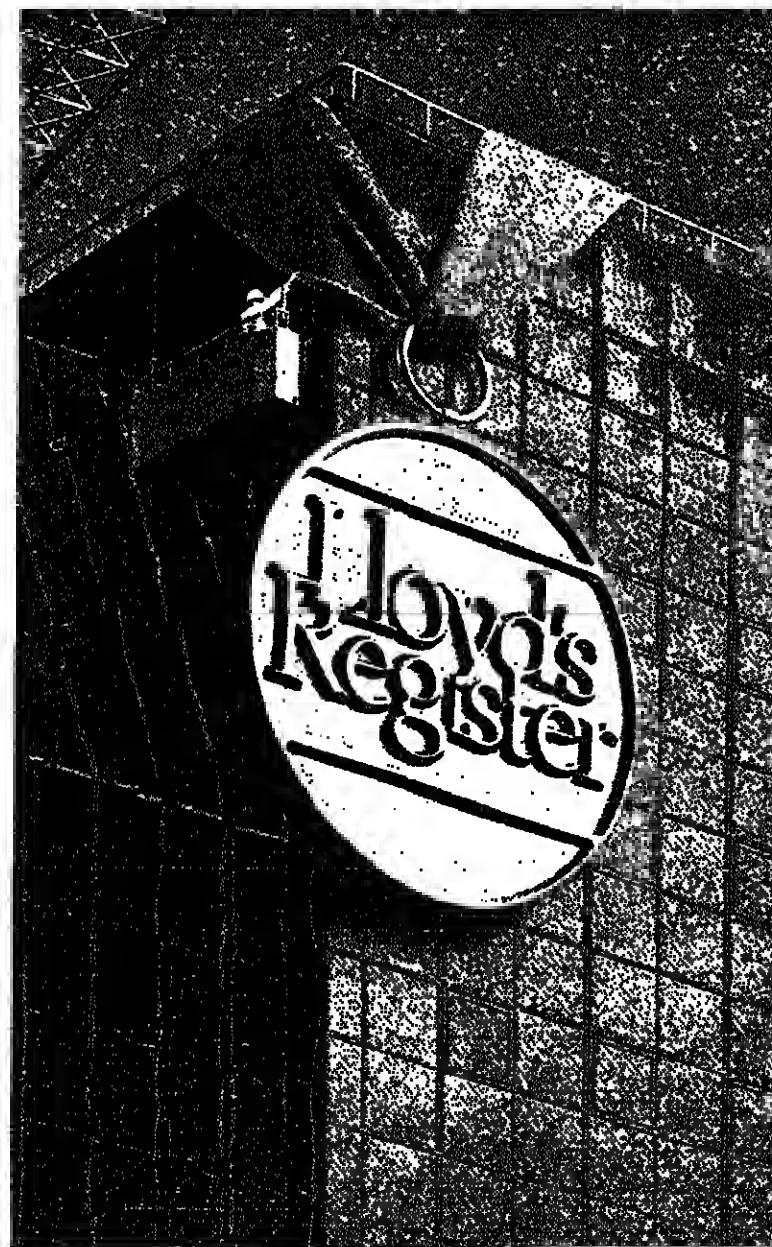
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Saab is twice as safe as the average car in its size class (one that includes the BMW 500 series, the Volvo 7 series and the Lincoln Mark VII). This is the result of a study of 6 million accidents in the U.S. made by the HLDI, Highway Loss Data Institute.

Sweden's largest automotive insurance company, Folksam, studied the results of 900,000 car accidents. They rate Saab more than 30% better than its nearest rival, which is itself considered a very safe car.

Folksam safety researcher, Dr. Claes Tingvall, comments:

"If people were aware of the huge differences in car safety, proven crash worthiness would be a major aspect in their choice of car."



**SAAB**

Wednesday November 29 1989

# Unity by degrees

THE BASIC Law of the Federal Republic declares that "the entire German people are called upon to achieve in free self-determination the unity and freedom of Germany." Inevitably the dramatic changes of the last few weeks in East Germany have revived West German hopes and aspirations in this direction. At such a moment people expect political leaders to live up to their rhetoric, and to take concrete steps towards the realisation of what were until then abstract objectives. Mr Helmut Kohl has to respond to that expectation, and in his speech to the Bundestag yesterday he sought to do so.

It was a difficult task because, at this decisive moment in European history, he has also to take account of other views, notably those of the East German people themselves but also those of the four powers which defeated and occupied Germany in 1945, three of them being now allies of the Federal Republic in Nato while the fourth, the Soviet Union, is the ally and protector, not to say the only benefactor, of the GDR. All four are still legally occupying powers in Berlin, and one may fairly say that the Soviet Union is also still an occupying power in East Germany, since the East German governments which have signed treaties with it and otherwise legitimised its presence were not freely chosen by the East German people.

## Soviet interlocutor

In spite of that, the Soviet Union is no longer seen as an enemy by most West Germans. On the contrary, Mr Mikhail Gorbachev is all the more popular for having permitted, perhaps even instigated, the changes in East Germany. But Mr Gorbachev has made it very clear that he does not wish those changes to lead to German unity. He sticks by the GDR as an independent state, and he expects it to stick by him as a member of the Warsaw Pact. The Western allies, for their part, also set great store by Mr Gorbachev as a Soviet interlocutor and are anxious to do nothing that would make his position more difficult. In addition, they now see the Warsaw Pact itself as a valuable interlocutor for Nato.

# Short-changing the taxpayer

THE NATIONAL Audit Office's report on the sale of the Rover Group in 1988 is a timely reminder that Britain's privatisation programme has involved significant costs as well as benefits. In this instance, ministers were so anxious to achieve a quick sale that they failed to achieve a fair price for taxpayers.

The Government's mistake was to ignore the advice of British Aerospace, its financial adviser. Baring argued that it would not be possible to achieve the best terms for taxpayers without inviting competitive bids for Rover. According to the audit office, ministers took the view that the benefits of a competitive sale would be outweighed by the uncertainty it would engender. The Government therefore entered into an exclusive negotiating contract with British Aerospace, its financial adviser. Baring argued that it would not be possible to achieve the best terms for taxpayers without inviting competitive bids for Rover. According to the audit office, ministers took the view that the benefits of a competitive sale would be outweighed by the uncertainty it would engender. The Government therefore entered into an exclusive negotiating contract with British Aerospace, its financial adviser.

At the time of the sale, Rover was a going concern, having earned a profit of £27.2m in 1987. The company was buoyant and the outlook for car sales was good. In such circumstances, it is difficult to see what harm could have come from seeking competitive bids. The Government says it was worried that obligations to creditors theoretically amounting to £1.6bn could have crystallised if Rover had failed. But there was little risk of the company suddenly failing during a short bid battle.

## Ludicrously low

Having agreed to negotiate exclusively with BAe, the Department of Trade then failed to adopt a sufficiently tough stance. BAe's initial offer was ludicrously low; it offered nothing for Rover and demanded a £750m cash injection to cover the group's existing debts. Baring advised that a debt-free Rover Group would be worth around £950m. Making a generous allowance for risk, it recommended that the Government provide the requested £750m debt write-off and offer to sell Rover for £500m. This would be tantamount to a net cash injection of £300m.

Amazingly, the Department of Trade judged these terms

in disarmament talks and a force for regional stability, at any rate during the present period of very rapid political change in eastern and central Europe. These are good reasons why, without being insincere in their support for the German right of self-determination, they do not wish the West German Chancellor to raise the issue of unity too hard or too soon.

## Tricky rapids

Mr Kohl's speech yesterday was a fairly skilful attempt to navigate these very tricky rapids. To German public opinion he offered the long-term goal of "federation" which is simply a possible form of the unity which has always been the Federal Republic's stated goal, plus the phrase "confederal structures" to describe possible forms of co-operation between what will remain, in the short term, separate states. All this was vague enough, especially on timing, to reassure his allies and perhaps Mr Gorbachev too. His repetition of the standard Western conditions for aid to reforming East European states seems to have caused some offence in East German opinion as well as government circles, where there is fear that market-oriented reforms will lead to the simple "absorption" of East Germany by West Germany. But it remains to be seen how far that prospect really offends the East German population, as opposed to the political groups which still feel the need to continue the regime of their "socialist" bona fides.

To the Four Powers Mr Kohl offered the assurance that "the development of inner-German relations remains bedded in the pan-European process and in East-West relations" and "the future structure of Germany must fit into the architecture of Europe as a whole." But he went on to make it clear that this is a call for change, not for continuation of the status quo. "The West has to provide peacekeeping aid," he declared, "with its concept for a permanent and just European order of peace." Does the West in fact have such a concept? If it is to respond to German aspirations it is clearly going to need one soon.

too stiff. Its counter-offer to BAe was a net cash injection of £500m, double what Baring suggested. After further negotiation, it retreated further, finally agreeing to a net cash injection of £250m. Fortunately for the British taxpayer, the European Commission intervened, arguing that these terms violated European Community laws on state subsidies. The Commission pointed out that a debt write-off on the scale envisaged by the Government would put Rover in a more favourable financial position than most of its competitors. It finally agreed to a net cash injection of £422m, which was £78m more than £300m of this was dressed up as regional aid and tax benefits.

## Obvious lesson

BAe ended up paying £150m for a company substantially relieved of debt and which had surplus assets and tax benefits worth at least £250m. It has since declared a 1988 profit before interest and tax of £65m and realised £128m of its surplus assets. No effort was made to value Rover at its true value. Rover sits on other assets before the sale. The National Audit Office is thus correct to argue that the price agreed with the Department of Trade fell well short of Rover's true value.

One obvious lesson for future privatisations is that the Government should take more care to assess the market value of surplus property, shareholdings and tax benefits. Sales contracts should include provisions allowing the vendor to clawback unforeseen financial benefits accruing from surplus assets. But the most important moral is that a fair price cannot be achieved by giving one party monopoly negotiating rights; competitive bids ought to be sought as a matter of course.

The Rover Group was in the state sector for 13 years and it received taxpayer subsidies worth some £2.9bn. The Government's anxiety to achieve a quick sale was thus understandable. But it did not justify the failure to take reasonable precautions to ensure value for money for taxpayers. It is almost certain that a better home for Rover could have been found at a lower net cost to the taxpayer.

# Michael Prowse examines how Britain educates its 16 to 18-year olds

THE biggest challenge in British educational policy today is to devise a coherent curriculum for 16 to 18 year-olds - one that caters for the great majority of students, especially those with a vocational or practical bent. If reforms for this age group are not forthcoming, the Government is unlikely to achieve its targets for higher skill levels in industry or for increased participation in higher education.

At present, only about 40 per cent of 16 to 18 year-olds remain in full-time education at schools or colleges of further education. This ratio, which has not changed significantly in a decade, is miserably low by international standards.

In the US, Japan and Sweden, around 90 per cent of this age group is in full-time education or training. In France, the staying-on rate is already about 75 per cent and further increases are planned. In West Germany, the proportion of 16 to 18 year-olds in full-time education is lower, at around 55 per cent, but the great majority of school leavers enter demanding three year industrial apprenticeships under the so-called "dual system". Their general education continues one or two days a week at technical schools.

Britain's low staying-on rate is partly a consequence of schools' failure to motivate children during the compulsory years of education. But it also reflects the type of education available for 16 to 18 year-olds. At present, a sharp distinction is drawn between a minority of academic students, who are encouraged to stay on and study for Advanced level examinations (A levels), and the non-academic majority, who are expected to leave school and either take a job or seek a place on the Government's Youth Training Scheme.

The present system serves the interests of neither group. Numerous reports, including a recent commendatory study compiled by management consultants for the Training Agency, attest to the shortcomings of UK vocational training. The depressing reality is that few YTS trainees gain vocational qualifications above the most basic level and that only about a third of 16 to 18 year-olds receive any kind of part-time vocational training.

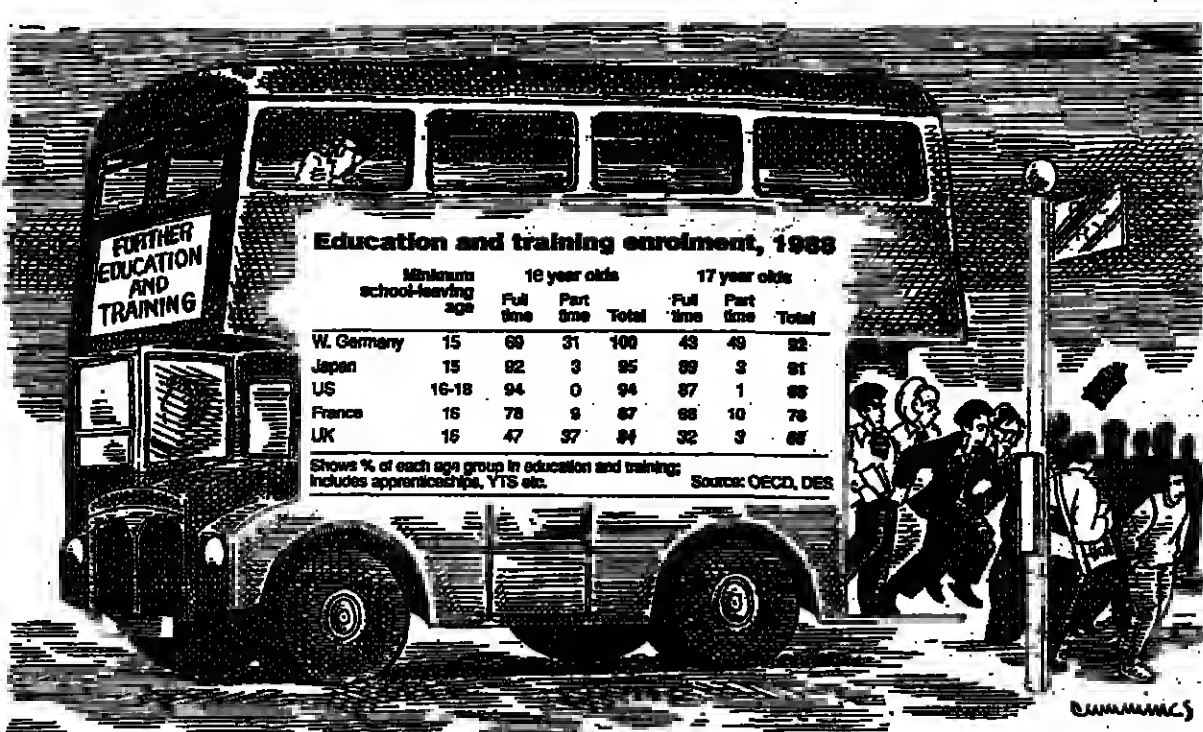
The problem is not just a shortage of training, but the type of training provided. Vocational training in the UK tends to be exceptionally narrow in scope. The aim of most courses is competence in executing particular

## A levels are explicitly elitist. They were designed for the top 20 to 25 per cent of the ability range

skills; little in the way of a general technical education is provided. In most competitive countries, by contrast, 16 to 18 year-olds receive a broadly-based vocational training and are expected to continue their academic studies in core subjects such as maths and their native language.

"The British approach," wrote the National Institute for Economic and Social Research in a recent study, "may serve to raise skills in defined tasks, but does little to promote the flexibility and all-important diagnostic skills that the workforce of the future seems likely to require - and on which the French and the Germans have focused."

But the shortcomings of academic education are equally obvious. A levels, which date from the early 1950s, are explicitly elitist. They were designed for the top 20 to 25 per cent of the ability range, on the assumption that



# The need to stay the course

the bulk of pupils would abandon academic study at the age of 16. The failure rate even among motivated middle class children is high, with 25 per cent of papers ungraded; only 14 per cent of school leavers achieve passes in two or more subjects.

The size and difficulty of syllabuses prevent the great majority of students tackling more than three subjects. But this involves a degree of specialisation which would be regarded as absurd in most other countries.

Schools need to encourage pupils to choose either a combination of science subjects, such as maths, physics and chemistry, or a group of related arts subjects, such as English, French and history. This created the "two cultures" which the novelist and scientist C.P. Snow so eloquently attacked: inarticulate scientists who could not write decent prose and immature arts specialists with a very limited grasp of science and technology. The divide was as much sexual as cultural because girls disproportionately opted for arts subjects.

More recently, the rise in popularity of economics and business studies has broken the rigid arts/science divide. Mixed combinations of A levels, such as English, biology and economics, are now as common as the traditional ones of maths and two sciences. But although such mixed courses offer variety, they cannot be said to provide a properly balanced curriculum. No random combination of three subjects can achieve this.

The contrast between English sixth-form studies (five subjects have long been obligatory in Scotland) and practice elsewhere is stark. The French Baccalaureat, the US high school diploma and the Japanese upper secondary school curriculum all require pupils to demonstrate competence in a range of subjects: maths, science, languages and social studies are regarded as obligatory in most developed countries.

It would be wrong to say the Gov-

ernment is doing nothing to improve education and training for 16-18 year-olds. On the academic front, ministers are seeking a broadening of the curriculum through the introduction of Advanced Supplementary classes. An AS level is intended to be as demanding as an A level, but to take only half as long to complete. The hope is that the norm of three A levels will increasingly be replaced by two A and two AS levels, with at least one of the AS courses providing a contrast to the main subject choices.

On the training side, Mr Norman Fowler, the Employment Secretary, hopes that clear targets for vocational achievement coupled with a shift in responsibility for vocational training from government agencies to employer-led Training and Enterprise Councils will greatly improve the quantity and quality of training. The aim is to create a "training market" in which colleges of further education and private suppliers of training compete to meet the needs of industry - and perhaps individuals, if the Government follows the Confederation of British Industry's advice and gives youngsters purchasing power in the form of training vouchers or credits.

AS levels and training vouchers may help widen opportunities. But if internationally-competitive levels of education and training are to be achieved, the Government must adopt a much more radical approach. The overriding priority should be to raise the lamentably low school leaving rate by creating a unified curriculum which meets the needs of the majority of 16 to 18 year-olds.

Reformers could learn a good deal from the curriculum plans of Mrs Valerie Bragg, the Principal of Kingshurst City Technology College in Solihull, near Birmingham. She recently surprised the Department of Education officials by declaring that Kingshurst would only offer A levels in exceptional circumstances. Mrs Bragg wants to offer a sixth-form programme providing parity of esteem

for pupils of all abilities and inclinations. In the process, she hopes to achieve a staying-on rate of 80 per cent - double the national average.

Her plan is for all sixth-formers to follow a common programme in core subjects leading to the award of a Kingshurst school-leaving diploma. Courses will be broken down into modules or credits, which will also count towards the requirements of external examinations. The majority of students will gain BTEC qualifications in vocational subjects. But a minority of academic pupils will prepare for the International Baccalaureate (IB) exam, which offers a balanced curriculum of six subjects as well as an introductory course in philosophy.

Mrs Bragg's plans may strike educational traditionalists as heretical. A levels are regarded in many quarters - not least Downing Street - as a crucial guarantor of high standards. The Government, only last year, flatly rejected detailed proposals for a broader sixth-form curriculum put forward by a committee headed by Professor Gordon Higginson of Southampton University.

There is also considerable resistance to the idea of school-based technical education. Qualifications of the sort offered by BTEC are often spottily rejected by teachers with an academic background. Vocational training, runs the argument, should be organised and supplied by industry.

But Mrs Bragg is surely right to reject A levels. These follow from the 1980s set as a barrier to educational opportunity for the majority of 16 year-olds, without meeting the needs of the most able. The AS exam has not materially altered the appeal of the traditional sixth-form. It is pitched at the same level of difficulty as the A level and is therefore just as elitist. Nor does it seem likely to reduce premature specialisation significantly. Students are tending to offer AS levels in complementary rather than contrasting subjects. For bright sixth-formers, the Inter-

national Baccalaureate offers a far more rounded education than A and AS levels. Students have to take six subjects, including maths, English, science, a foreign language, and a social science. They also have to submit an extended essay, follow a course in the Theory of Knowledge and engage in prescribed extra-curricular activities. Such a programme is likely to provide a much better preparation for life and work than two or three arbitrarily chosen A levels.

The modular approach favoured by Kingshurst - and many progressive educationalists - also has great attractions. Two year courses, such as A levels, offer minimal flexibility. Pupils who find they have made the wrong choice have nothing to show for their efforts. But if courses are broken into manageable chunks, pupils need not decide what kind of qualifications they are aiming for until well into their sixth-form studies. Modules facilitate the creation of balanced courses, consisting of a mixture of science, arts and vocational subjects. They also allow students to take breaks from study, perhaps for work experience, without losing credit for unfinished courses.

The Government appears to believe that the UK should not seek to offer much in the way of school-based vocational education but instead strive to emulate the West German dual model. Most non-academic teenagers should be expected to stay in full-time education and receive training as day-release students at local colleges of further education. This may be a sensible route for some youngsters: around 200,000 people follow BTEC vocational courses at colleges or on employers' premises.

But as the National Institute and others have demonstrated, the training shortfall in the UK is extremely large. And the employers' record in promoting broadly-based vocational education is chronically poor. It would be foolish, therefore, to look solely in this direction for salvation in the 1990s. A much larger proportion of 16 to 18 year-olds should be encouraged to stay in full-time education and combine vocational training with the study of core academic subjects such as maths. This kind of education flourishes in countries as diverse as France and Japan.

The UK has consistently failed to educate the bulk of its population to levels taken for granted overseas. The consequence has been relative economic decline and social disarray. The Government's proposed dichotomy of A and AS levels for a minority

## The UK has consistently failed to educate the bulk of its population to levels taken for granted overseas.

of academic pupils and narrow industrial skills-training for the rest will do little to enhance Britain's future competitiveness.

If the UK wants to succeed in the 21st century, a dramatic increase in the staying-on rate will be needed. It is unlikely to occur unless ministers accept the case for a radical overhaul of the sixth-form curriculum. The UK needs to move to a position where the great majority of young people study maths, English and science until the age of 18. Such a core of essential studies should be surrounded by a flexible range of academic and vocational options designed to meet the needs of the average rather than the exceptional pupil. Educational elitism has blighted Britain's past; it should not be allowed to compromise its future. A previous article on vocational training appeared on November 21

## Opec drowns in numbers

There was a time when Opec meetings were believed to be the most powerful cartel in the world.

## Slow Times

The appearance of Hans-Dietrich Genscher, the West German Foreign Minister, at the Royal Institute of International Affairs (Chatham House) yesterday was arranged at short notice and cancelled at even shorter.

To make the numbers come out right, Venezuela was asked to cut its official quota by 73,000 barrels a day, but to continue to produce the oil on the sky. The Venezuelan share tested Libya's quota a bigger share - 6.3 per cent share of Opec output rather than its current 5.6 per cent, even though it lacks the capacity to produce it. Much the same goes for Algeria.

Both Nigeria and Venezuela have spare capacity and appear willing to reduce their market share in order to achieve an Opec solution. But they will do so only if others, some of whom cannot even fulfil their present quotas, do the same. Only Indonesia admits that it cannot produce more and is willing to let other countries raise their share.

Opec's official production ceiling has been set at around 22m b/d for early 1990. Yet it has been years since Opec's ceiling had much relationship to actual output, and the two are currently at variance by about 3m b/d.

The organisation lives on largely as an expression of nationalism. Thus ministers are spending a week of the Vienna winter fighting over numbers that they must know will have little relevance to how much oil is produced next year.

Odd to think that in the mid-1970s many people

## Grant's luck

Was Argyll, the supermarket chain, trying to send out a subliminal message with its weekly yesterday? Included in the press pack with the figures was Focus, the group's magazine, which features a prominent horoscope section.

## Long shot

TSB Trustcard has written to a colleague in the South Kensington area of London offering all the flexibility of a new type of high-interest-bearing current account. The flexibility is so great that the bank suggests calling in at a convenient branch - the one at Long Sutton, Spelking, Lincolnshire.

## Bonn stays

Here is one indication that West Germany is not rushing into reunification with the east. The country is going ahead with the completion of new parliament buildings in Bonn - once regarded as the temporary capital until it might be possible to return to Berlin.

## Dog's life

Sign in a West Yorkshire fish and chip shop: "Missing, grey and black mongrel, one eye, walks with a limp, recently castrated. His name is Lucky."

# OBSERVER

believed that Opec would become the most powerful cartel in the world.

But would Sir Anthony Meyer be the right PM for a recession?"

buckle down to some serious earning."

But would Sir Anthony Meyer be the right PM for a recession?"

## Out of joint

Bill Foggitt, the Thirsk weatherman, says that the cold snap which sent temperatures plummeting this week is a classic feature for November. The sharpness of the frost is crucial in weather lore. "If November ice will bear a duck, most of winter will be slush and muck."

The ducks in Thirsk have been skating all week, which would suggest another winter like this year. Foggitt has reservations, however. "I can't see us having a third successive mild winter," he says.

Thirsk is six inches down on its annual rainfall and Foggitt has noticed that the weather has a tendency to balance out over the year. This would point to a lot of rain, sleet and snow between now and January, although the records do not favour the idea of a white Christmas.

Foggitt blames this on the introduction of the Gregorian calendar in 1752 which removed the days between September 2 and September 14 from the calendar that year. Rioters in Britain, fearing their lives had been shortened as a result, demanded "give us back our 11 days."

The change meant that Christmas was brought forward to the start of winter and white snow became sporadic from then onwards.

Significant Moments  
 OMEGA  
 CHRONOMETER  
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OMEGA  
 THE TRULY  
 CHRONOMETER  
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Barry Riley on the acquisitions of fund management businesses by other groups

Fund managers are suddenly in fashion. Investment management companies were once the Cinderella businesses of the City of London, dominated and bullied by merchant banks and stockbrokers. But now they are the beauties of the financial services ball.

Last week the formerly down-trodden portfolio men started to flex their muscles by setting up their own trade group, the Institutional Fund Managers' Association (IFMA). Its formation, according to its first chairman, Charles Nunneley of Robert Fleming, reflects increasing concern at the lack of a collective voice.

The biggest specialist, Mercury Asset Management, with portfolios of £32bn under its control, is valued at over £400m by the stock market, and accounts for more than a third of the value of its parent, the merchant banking and securities group S.G. Warburg.

In all, UK investors look after funds of probably near £500bn and in addition there is an important, but unmeasurable, element of management of foreign-owned funds.

In a series of deals over the past year, British fund managers have been snapped up by Continental financial groups. To acquire a slice of London's global management skills, partly in pursuit of 1992 strategies, Dresdner Bank, for instance, has bought Thornton, the unit trust group, Société Générale has acquired Touche Renmant and Bank in Lechstein has taken over GT Management.

Now Gartmore Investment Management, with \$6.4bn under management, has been put up for sale by its parent British & Commonwealth Holdings. Some £100m is expected to be asked.

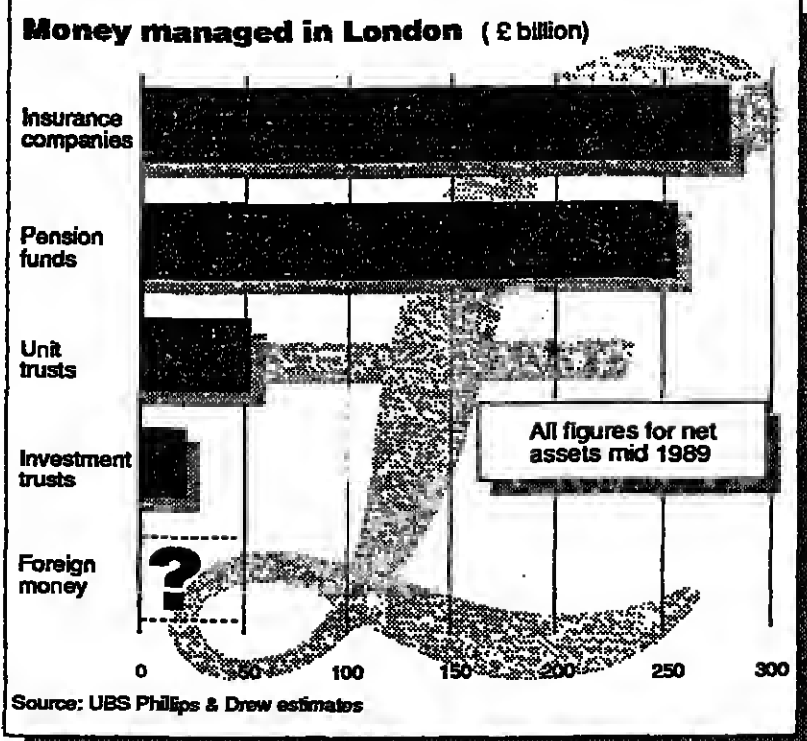
Elsewhere, the takeover approach by Banque Indosuez to Morgan Grenfell and now the agreed bid by Deutsche Bank for it must have quite a lot to do with the merchant bank's fund management activities. It manages £11bn and has a prominent role in managing global portfolios for US pension funds.

But such changes of control need to be handled very carefully. "A hostile attack on a fund management business is very dangerous," says Ben Reay, vice-chairman of Henderson Administration, the leading remaining quoted independent.

The regulatory changes in the UK during the past five years have transformed the fund management business in two main respects. One has stemmed from the substantial improvement in their bargaining power following the "Big Bang" stock market reforms of 1986. Commissions have fallen sharply on UK securities.

Separately, the development of fund management as an independent activity has also been encouraged by the implementation of the Financial Services Act. Previously investment management had often been dominated by merchant banks and stockbrokers which ran the business in parallel with capital market and broking operations. But the conflicts of interest had been generating increasing concern, and the new regulations have encouraged the separation into distinct business units,

# Courted by many suitors



though not necessarily with distinct ownership.

All the same, fund managers have often been uncomfortable with the new regulatory environment. According to Mr Nunneley, they felt "seriously deprived" by the lack of a distinctive voice when the FSA was being drafted.

Yet profits in fund management have recently begun to grow again, after the post-crash setbacks. Mercury Asset Management has recently announced a jump in half-time pre-tax profits from £19.2m to £28.3m. Henderson, with a heavy recovery element, rose from £4.3m to £10.7m for the same half-year.

But how will the entry of new foreign owners affect the business? When take-overs generate uncertainty, managers are forced to move quickly to make urgent calls to try to reassure clients of the continuity of the service they offer.

It may not be a coincidence that the Gartmore announcement has been made after the end of the annual round of pension fund "beauty parades" at which managers compete for new clients. According to Paul Haines, investment director at the pension fund consultancy Noble Lowndes, the first response to any mooted ownership change will be to take the company

concerned off the recommended short lists. New pension fund business will therefore dry up.

There will be a similar effect in unit trusts and other retail investment products, where investment advisers are bound to be reluctant to recommend Gartmore or Morgan Grenfell funds while their ownership is changing.

An important short-term concern of intermediaries is that the executives of the affected management companies may be paying more attention to their share options and their employment contracts than to the day-to-day needs of their clients. "The difficult aspect is that management attention may be distracted from the investment side of the business," as Mr Haines puts it.

Nevertheless it is possible for take-overs to be smoothly handled. Phillips & Drew Fund Management, now the second largest manager of UK pension funds, has gone from strength to strength since being taken over by Union Bank of Switzerland. However, it has been given management independence, and another advantage of PFDM is that it has been focused on the institutional end of the fund management business, not at the retail end.

It is noticeable in this respect that

Robin Binks, the S.G. Warburg corporate finance executive who is selling Gartmore to British & Commonwealth, chooses to emphasise the virtues of the pension fund business rather than the unit trust side, which is thought to have been suffering net redemptions.

"The relative attractions of pension fund management have increased in the UK," he claims, giving a hint of what is presumably his sales pitch to prospective buyers.

There is now a developing squeeze on independent fund management groups which are attempting to reach the retail market in the UK. One of the further effects of the Financial Services Act has been to introduce so-called polarisation of the distribution network, so that the big chains of High Street banks, building societies and estate agents are no longer permitted to sell in-house unit trusts and life assurance plans alongside independent brands. National Bank is the only important High Street exception.

Fund managers seeking to reach retail clients are therefore normally restricted to selling through independent advisers, principally the 8,500 member firms of Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association. They can set up their own sales teams, but this is regarded as uneconomic in most cases. Similarly, selling "off the page" through newspaper advertisements or through direct mail shots has become unwarding since public sentiment was undermined by the 1987 stock market crash.

The polarisation rules provide an important explanation of why so many of the takeover bids are coming from abroad. British financial groups with retail outlets or sales forces already have their own in-house fund management operations, and are not allowed to sell another brand alongside. So they have little reason to make big offers for groups like Prolific or Gartmore.

It could therefore be viewed as somewhat paradoxical that so much money is being splashed out by Continental banks to gain niches in the British retail investment industry, and to pursue post-1992 strategies by marketing London's global investment management skills elsewhere in Europe.

Should the buyers beware? The Continental banks which leapt into the London securities market three or four years ago by purchasing broker-firms are now often licking their wounds. Given the scope for clashes of culture between London fund managers and their new European bosses it would not be surprising if more blood were to be spilt in years to come. The chairman of Liechtenstein, new owner of Gartmore, was dismissed on Monday in an insider trading scandal. Elsewhere the crisis at the French-owned London fund management company Dumenil - which has suspended dealings in its 11 unit trusts pending an investigation into administrative irregularities - has provided a topical reminder of the potential for management problems in this volatile industry.

But there is still a bull market for fund managers, even though Gartmore may provide a test for its durability.

Japan's financial markets

# Needed: bolder steps towards freer access

By David Mulford

Six years of yen-dollar talks between the US Treasury and the Japanese Ministry of Finance have produced a long and impressive record of accomplishments. None the less, a realistic assessment after the latest round of talks must conclude that the fundamental problems of over-regulation in Japan and access to the Japanese market by foreign financial institutions are a long way from resolution.

The two sides originally aimed to internationalise the yen and to open up and "democratise" Japan's financial markets. It was believed that this would contribute to a stronger international financial system. With the focus now on correcting current account imbalances, these objectives have become even more important.

What has gone wrong is what is needed. For example, the remaining interest rate restrictions should be removed. This

Today, about half of all bank deposits have been deregulated and largely reflect market interest rates. The Bank of Japan has taken an important step toward liberalising the money market. New short-term money market instruments have been introduced. A partial auction system in the government bond market has reduced the role of the traditional Japanese syndicate. Foreign firms have been admitted to the Tokyo stock exchange and entered the trust banking business. In the Euro-markets, the volume of yen offerings has grown 17-fold.

The Ministry of Finance is to be commended on this progress, but Japanese officials who suggest that the financial liberalisation process in Japan is largely complete are wrong. The standard of judgment must not be the relative one of how many changes have been made in the old system, but the absolute one of how close

Japan is to a truly market-based financial system - one that operates on the same principles of efficiency, transparency, objectivity and competition which distinguish other great financial centres.

The reforms so far are a start, but they have not changed substantially the way financial market business is conducted in Japan. Basic deregulation, sweeping change, or bold challenges to the way the existing system benefits traditional Japanese financial institutions are hard to find.

The reforms adopted in Japan can be viewed more clearly when seen against the pace of liberalisation in the rest of the world. New York and London have become increasingly efficient and sophisticated financial markets. Japan lags behind.

What is needed is what is needed. For example, the remaining interest rate restrictions should be removed. This

Formal legal frameworks apart, foreign firms are also frustrated by opaque informal practices. It is to the benefit of all Japanese financial market players that decisions be made in a transparent way.

Taken together, these statutory restrictions and regulatory practices constitute a firm barrier to full access for foreign firms to the Japanese financial services industry. The situation invites Congressional action and risks exhausting the US Treasury's patience with the slow evolution of the past six years.

Open and efficient financial markets are central to an effective international monetary system, to world economic growth and to the adjustment of the world's large external imbalances. The failure by Japan to provide full access to its markets is particularly serious given Japan's current financial and economic position in the world. The US calls on its Japanese friends to accelerate their deregulation efforts in 1990 and to resolve the remaining issues fundamental to reform.

The author is Under Secretary for International Affairs in the US Treasury.

exports are still denominated in non-yen currencies.

The chief brakes on further progress are the laws, regulations, and practices which prohibit Japanese investors from gaining access to foreign markets and impede the entry of innovative foreign products and services to the Japanese market. This is regrettable, because it is innovation that makes capital markets dynamic and efficient. For example, the Chicago Mercantile Exchange has been delayed in obtaining Japanese approval for its Globex electronic trading system.

It is particularly disheartening to see foreign banks and securities firms blocked from offering internationally proven services and products in Japan. In the growing market for pension funds and mutual fund investments, Japanese investors are severely limited in their ability to provide services in which they have established and respected positions.

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The author is Under Secretary for International Affairs in the US Treasury.

### Japanese officials who suggest that the liberalisation process is largely complete are wrong

would greatly reduce the cost-of-capital advantage Japanese banks enjoy over foreign financial institutions. Moreover, competitive rates would add about 1 per cent of Japanese GNP to the personal income of depositors, thereby increasing consumption and imports.

Slow progress in the Japanese money markets has also been disappointing. Reforms have not produced a full range of short-term money market instruments unencumbered by artificial barriers, nuisance taxes and other regulatory intervention. Furthermore, the absence of an efficient, liquid money market in Japan has discouraged greater use of the yen internationally. Despite the progress made in the Euroyen bond market, the yen still commands little interest as an international currency. Ninety per cent of Japan's imports and 68 per cent of its

## LETTERS

### Facing east

From Mr Richard Lucas.

Sir, The idea that East Germany benefits from soft currency ("soft Mark") allows the GDR's money supply - the only use for "soft Marks" is to spend them in the GDR.

Many tourists struggle them to change their visits. Allied servicemen from the British, American and French sectors in West Berlin can visit the Soviet Zone (East Berlin) without customs control, which enables them to enjoy very cheap visits without risk of East German intervention. Any "soft Mark" outflow returns in the wallets of high-spending westerners - thus exacerbating eastern queues and shortages and, as we have heard, creating the need for yet more rationing.

Depreciation and free convertibility (rational foreign exchange pricing) are sensible only if price reform (rational internal pricing) is introduced as well. Economic integration in western Europe is highly undesirable if the pricing structure "over there" does not reflect the costs of production. Not only would it encourage yet more value subtracted activity in eastern Europe, but it would also threaten the business survival of healthy western European industries.

Those of us trying to help the reform process in eastern Europe have a responsibility to recognise that the economic problems of moving towards integration are far more serious than can be solved by piecemeal reforms leaving the structure intact.

Further, we must recognise that the costs, to the peoples of eastern Europe, will be very hard to bear. It will be expensive and difficult to provide them with the help that they need - but much more so not to do so. We shall benefit from thriving market economies in eastern Europe, but suffer serious negative externalities if we allow the current economic sickness to continue in countries genuinely prepared to reform.

Richard Lucas, Cambridge Economic Consultants, 63-64 Hills Road, Cambridge

### The DTI and Barlow Clowes

From Mr James R.B. Hinton.

Sir, Sir Anthony Barrowclough's draft report on his enquiry into the Department of Trade and Industry's role in the Barlow Clowes affair is now being studied by the DTI, which has been asked to confirm the facts therein before the report is published.

Barlow Clowes's victims remember that the Le Quesne report was with the DTI for some six weeks before the Government delivered its biased, unjust and unbalanced interpretation - that the DTI behaved reasonably, and that

### A shift to thrift

From Mr Jack Brown.

Sir, It is perplexing that in the UK economic debate there is so little focus on the personal sector savings ratio. To raise the personal savings ratio, there must be in addition to greater risk-taking activity (via lower corporate and income taxes), a higher average rate of investment.

The principal way this can occur is if the personal sector consistently saves a higher proportion of its income, thereby indirectly increasing the amount of borrowing that the corporate sector can undertake while maintaining balance of payments equilibrium.

Reasons for a low savings/investment ratio lie not in cultural characteristics but in fiscal incentives. In particular, the combination of mortgage interest tax relief, no capital gains tax on profits from property, and a tax on tax on savings/investment income, engenders a low savings ratio.

Mortgage tax relief simply raises the real rate of borrowing to the corporate sector without palpably benefiting mortgagees. No capital gains tax on profits from house price appreciation makes sustained borrowing (high average mortgage) the best way of boosting one's net asset base in the long-run.

The UK economy will only be transformed when deferred consumption (savings) becomes the most attractive means of boosting one's asset-based wealth, à la Japan. This could be achieved by imposing a capital gains tax on property profits while making savings income tax-free - ensuring that the bulk of funds saved were indeed redirected to the corporate sector.

Jack Brown, 26 Wragby Road, Leytonstone, E11

### 'If there is a fallacy here I think we should be told'

From Mr George Chowdhury-Best.

Sir, It is surely true, as Mr J. Rowden writes (Letters, November 23), that "only healthy economic growth can provide the wealth needed to promote environmental improvement."

But it is really true that measures to promote environmental improvement are not (as seems to be widely assumed) growth-producing?

For example, if a caustic soda producing plant is polluting a stream because of the leakage of mercury which it uses as a catalyst, reduction in the leakage of mercury will not only reduce pollution - so improving fish production -

### Of sound mind at 16

From Mr Paul Donovan.

Sir, In your editorial on UK school sixth forms (November 23) you propose again a number of "core" compulsory subjects.

I should like to point out that at 16 I am considered mature enough to decide if I wish to be educated, join the army, leave home, or find a job. Your article suggests that I cannot decide whether to spend two years studying maths, or judge my own abilities with any degree of competence.

The problem seems to me to be a question of attitude. You have described 16-18-year-olds as "pupils", a more accurate description would be students. At the age of 16 students are becoming career-minded, and choose their education accordingly.

I appreciate your argument for more AS levels, but the concept of compulsory subjects beyond the age of 16 is not acceptable.

I suggest that you consider the view of sixth form students before deciding what is best for them; my college did so, with excellent results.

Paul Donovan, Ridge Cottage, Links Way, Bookham, Leatherhead, Surrey

### Autumn Statement

From Mr A.T. O'Donnell.

Sir, Mr Henry Neuberger claims (Letters, November 24) that the Treasury diagram in the Autumn Statement showing capacity utilisation and the non-oil trade deficit is wrong.

The diagram is, in fact, correct.

Gas O'Donnell, Press Secretary, HM Treasury, Parliament Street, SW1



## For those who've never given a second-hand car a second thought

A second-hand car doesn't have to look or behave like a second-hand car. Not if it's a Mercedes-Benz with the official 'Quality Used Car' label.

Start with the undated appearance. Mercedes-Benz don't alter their designs every time there's a motor show. And the quality of the paintwork and trim is such that normal wear and tear is scarcely perceptible. Interior materials retain their appearance and feel, with no maintenance except occasional cleaning.

Mercedes-Benz expect their cars to perform as well after 50,000 miles as they do just after they are run-in. So most people would be hard put to tell the difference between a second-hand Mercedes-Benz and its new equivalent. The only 'giveaway' would be a letter on the number plate. The reason for all this is as simple as it is complex.

The production of any new Mercedes-Benz model is planned to avoid problems during manufacture. Every process is checked and re-checked until the procedure is perfect. Every component is tested to destruction and Mercedes-Benz actually provide the testing equipment for some of their external suppliers. Materials are subjected to the equivalent of years of wear testing in laboratory simulations that operate 24 hours a day, 7 days a week.

Whilst the first owner of a Mercedes-Benz enjoys the obvious benefits of driving a brand new car, owners two and three can enjoy all the privileges of Mercedes-Benz motoring at a lower price.

A well-maintained, dealer serviced car will still look stunning and behave impeccably. The high levels of safety and driving pleasure remain undiminished. And if a second-hand Mercedes-Benz costs a little more than an ordinary new car, it's still a small price to pay for a vehicle that treats the passing years with almost total disdain.

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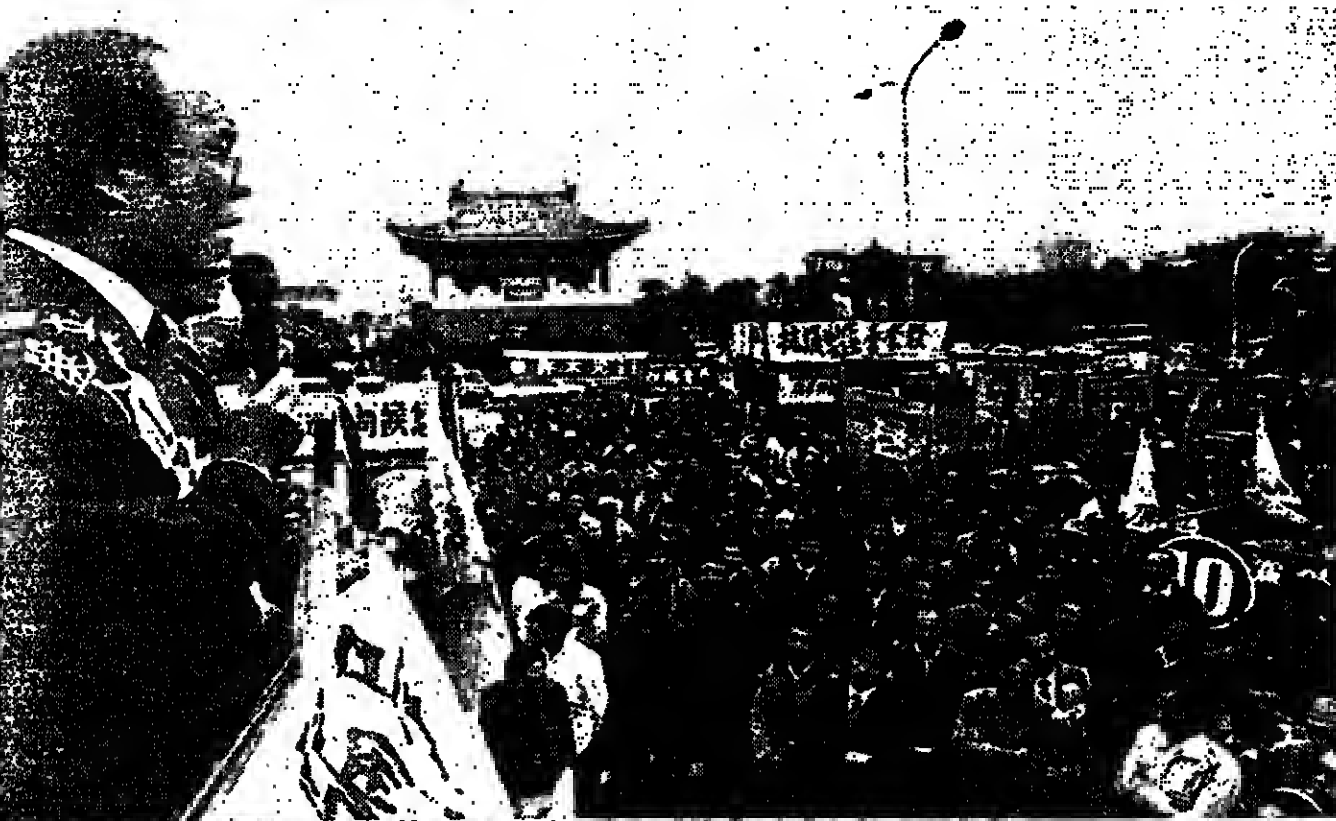


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# FINANCIAL TIMES

Wednesday November 29 1989

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A Taiwanese political party candidate addresses angry investors outside the stock exchange yesterday.

## Taiwan shares tumble ahead of elections

By John Elliott in Taipei

TAIWAN'S turbulent stock market yesterday suffered its biggest fall ever when prices plunged by 5.7 per cent, just four days before the country's first politically significant elections take place on Saturday.

About 1,000 angry speculators demonstrated outside the offices of the ruling Kuomintang (KMT) party after the Taipei weighted index fell 537.38 points to 9,040.09. The drop might have been much larger but for a fixed maximum limit of 7 per cent, recently raised from 5 per cent, in the permissible movement of any share during a single day's trading.

The day's sell-off was politically significant for the government because at least 30 per cent of Taiwan's 12m voters are estimated by brokers to speculate in the casino-style

market. A large number of people involved in illegal margin trading were badly caught.

Both foreign and local brokers suggested last night that the market had been manipulated for political reasons through a spate of rumours. There were unfounded suggestions that two major market players were about to default.

The plunge followed several weeks of falling prices, with the index dropping by about 9 per cent since the beginning of the month. This has been bad news for the government which earlier this month published a controversial election advertisement that talked enticingly about the economy in terms of "lots of profits and a long haul run."

This was seen as a KMT promise that it would keep the

market buoyant. Brokers assume that with the election only days away, speculators were frightened by the rumours and decided yesterday to move out.

"The KMT tried to interfere with the market so it is not surprising that people are selling after several weeks' decline - with the prospect of bigger falls after the election," Mr Tsai Shih-Yuan, the Democratic Progress Party (DPP) deputy secretary general, said last night.

Another popular theory was that powerful investors, who dominate and manipulate the market, were trying to scare the government while it is feeling electorally vulnerable into announcing a low share transaction tax before the polls.

The government has been

planning to revamp this tax, and cancel a one year-old capital gains tax, to take the heat out of the market. But this is not a popular move and a taxation level suggested of 1.5 per cent, in place of a current 0.15 per cent transactions levy, caused an uproar.

A figure between 0.5 and 0.75 per cent would probably be politically popular and might be considered by the KMT's main policy committee today in advance of a cabinet meeting tomorrow.

Saturday's elections are the first since martial law was lifted two years ago. There is no chance of the Kuomintang falling, but the voting - for national, regional and local elections - is the first-ever real test of strength between the KMT and the DPP.

## Companies in Japan relying on cost cutting

By Stefan Wagstyl in Tokyo

JAPANESE companies rely heavily on cost-cutting, including the increased use of part-time labour, to boost profits, according to a report published yesterday by the Bank of Japan.

Reductions in the cost of raw materials and of corporate funds are also important, says the central bank in a survey which covered the performance of 619 companies in the financial year to the end of March.

Unit labour costs fell 5.4 per cent, due to a 1.4 per cent reduction in regular full-time workers, the third annual decline in a row.

Employers invested heavily in labour-saving equipment and covered labour shortages by using more part-time staff, says the report.

The report says pre-tax profits of the group of companies rose by 27.3 per cent, the highest annual increase since 1980-81.

Seasonally adjusted figures released yesterday show that industrial output in Japan rose by just 0.3 per cent last month compared to September, suggesting that the economy may be slowing down faster than previously expected.

Shipments fell 1.2 per cent last month and inventories rose by the same amount, according to preliminary figures from the Ministry for International Trade and Industry.

MITI officials said the small increase in output and the fall in shipments were caused by temporary factors. These included a slow down in exporting cars to the US and steel to China.

Japanese code of conduct, Page 6

## Aeritalia may seek partnership in Airbus A-321 programme

By Paul Betts in London

AERITALIA, the Italian state-owned aerospace manufacturer, is in advanced negotiations to participate for the first time in an Airbus Industrie programme.

Officials of the Italian company and the four nation European aircraft manufacturing consortium confirmed yesterday that talks were in progress between Airbus and Aeritalia involving participation of the Italian group as a risk sharing partner in the new Airbus A-321 programme.

Aeritalia's participation as an associate member in the A-321 would represent a coup for the European consortium which has been seeking to attract Italian interests in its operations. As an associate member Aeritalia would pay for the non-recurring costs of

its involvement in the A-321 project.

Airbus is understood to be discussing subcontracting Aeritalia work on one of the sections of the stretched fuselage of the A-321.

Aeritalia has previously cooperated with Boeing, the US manufacturer, with a risk sharing association in Boeing's current family of 737 twin-engine jets.

However, Aeritalia is also discussing possible risk sharing participation in Boeing's latest civil aircraft programme, the wide body twin engine 767 which Boeing is expected to launch early next year.

It is also discussing risk sharing agreements with Japanese companies including Kawasaki Heavy Industries, Mitsubishi Heavy Industries

and Fuji Heavy Industries for the 767X programme.

Aeritalia has a 15 per cent share in the current 767 programme and Boeing would now like to see the Italian group become a partner in its 767X aircraft.

Despite the intense rivalry between Boeing and Airbus, the Italian group could participate in both the Airbus and Boeing programmes because the two projects do not involve competing airframes.

Under existing Airbus arrangements, Airbus partners are not allowed to work for Boeing on competing airframes. The A-321 competes against the Boeing 737 twin-engine narrow body airliner in which Aeritalia has no involvement.

BA and US talks, Page 8

## UK to probe plasterboard market

By Andrew Taylor, Construction Correspondent, in London

AN INVESTIGATION by the Monopolies and Mergers Commission into the UK plasterboard market, the subject of a price war also affecting France and West Germany, has been ordered by Sir Gordon Borrie, Director General of Fair Trading, the UK's anti-cartel watchdog.

The plasterboard market is one of Europe's fastest growing in the building materials sector. It is light, easy to use, with good insulating properties which are ideal for the interior walls of homes and offices.

Plasterboard, with sales in the UK recently topping £200m (£122m) a year, has been supplied for more than 20 years almost entirely by BFB Industries, the British manufacturer which is also the largest producer in France, Sweden, Austria and the Netherlands and

the second largest in West Germany.

The group was fined £2.15m (£3.58m) by the European Commission last year for allegedly using illicit means to stop imported Spanish plasterboard being sold in the UK.

Yesterday's call for an investigation by the Monopolies and Mergers Commission into the British plasterboard market was triggered by a request by BFB to be released from undertakings given to the UK Monopolies Commission in 1977.

BFB was required to stop cross-subsidising its manufacturing operations by charging a uniform selling price irrespective of individual delivery costs. The Monopolies Commission said cross-subsidising could discourage potential competitors from manufactur-

ing where BFB had no plants.

BFB said yesterday the undertakings rendered it unable to compete on equal terms with companies which had recently started to manufacture plasterboard in the UK.

Mr Brian Hoegben, BFB's finance director said: "The group faces increased competition from UK and overseas competitors which have sold imported plasterboard at heavily discounted prices to support their entry into the market."

BFB has appealed to the European Court against the fine imposed by the European Commission, which had alleged that the group had sought to protect its home market against Spanish imports by offering fidelity bonuses to merchants buying exclusively from the group.

## EC agrees to set up watchdog agency for environment

By Tim Dickson in Brussels

THE twelve member-states of the European Community last night agreed on the scope and authority of a new environmental agency.

The proposal is to set up an independent body to collect and disseminate reliable and objective environmental data has excited keen interest inside and outside the EC in recent months as "green" issues have risen to the top of the political agenda.

In spite of its relatively limited initial remit and a clear understanding that it will have no powers of enforcement, the creation of a European Environment Agency is seen as an important step in the development of a more coherent and effective EC policy.

The information which it provides is expected to assist the European Commission in its efforts to draw up realistic and scientifically based proposals, while the provision of comparative data will reinforce Brussels' efforts to make its existing legislation stick.

Many in the Commission - including Mr Carlo Ripa di Meana, the EC's Environment Commissioner - would ultimately like the agency to have a more interventionist role such as that enjoyed by the powerful US Environmental Agency.

EC environment ministers, who are all hiding for the prestige of providing the headquarters of the agency, spent much of yesterday at their meeting in Brussels trying to sort out voting procedures for its new management board.

Mr Chris Patten, UK Environment Secretary, said last night that Cambridge would be the UK's candidate for the agency headquarters.

There is much speculation, however, that Berlin may be chosen as a symbol of the new detente between East and West.

The agency idea - to which Mr Jacques Delors, Commission president, is understood to have been converted as a result of the varying radiation limits imposed by member states in the wake of the Chernobyl disaster - has been promoted strongly by the French Government during its six-month presidency of the EC.

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## Kohl outlines unity vision

Continued from Page 1

programme could not be implemented "with calendar in hand". However, he proposed the establishment as soon as possible of a free elections in East Germany of a joint government committee for permanent consultation and "adjustment" of policies. He also envisaged a joint parliamentary committee.

The "co-ordinative structures" initially at least, seem to fall short of a pooling of sovereignty, and would not therefore affect each German state's membership of military alliances.

However, Mr Kohl said: "As soon as a democratically elected government is our partner entirely new perspectives open up. Step by step, new forms of institutional co-operation could be developed. Such a growing together reflects the continuity of German history."

Privately, some of Mr Kohl's advisers talk of encouraging the re-establishment of the old pattern of federal states within East Germany.

Mr Kohl stressed that Germany was not embedded in the process of European unity and used Mr Gorbachev's phrase of the "common European house."

## Reform sweeps Czechoslovakia

Continued from Page 1

associated parties and Civic Forum circles.

It is unclear if Mr Adamec will wish or will be able to remain as Prime Minister. A likely candidate as his replacement is Professor Václav Komárek, director of the Prognostic economic institute who, although a Communist Party member, has thrown in his lot with the opposition.

The Communist Party, now only formally in charge, is already splitting. A "Democratic Forum of Communists" appeared yesterday under the umbrella opposition grouping, with a programme of forming a Western-style social democratic party.

The leaders of Communist Party branches from across the country met in Prague yesterday to add their voices to calls for the end of the party's leading role and replacement of its entire Central Committee.

## THE LEX COLUMN

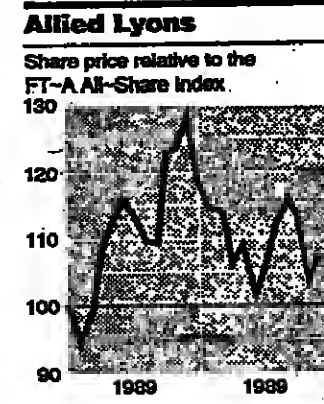
# AMP drags Pearl down under

The speed with which AMP has stormed Pearl's ramparts with an offer of less than £7 per share is a tribute to more than just institutional short-termism. Pearl and its advisers, Kleinwort Benson, showed astonishing complacency in relying on their last-minute actuarial valuation of Pearl at £7.65. On this showing, it is hard to see that the UK's insurers deserve the protection which some of them have been seeking in vain from Westminster.

That said, AMP's task is far from easy. It could help pay down its own debt with some financial engineering; Pearl's notably inefficient, non-life insurance portfolio is of dubious value to AMP, but could be saleable to someone else. Even without a buyer, there is at least £65m of excess shareholders' capital which AMP could strip out after tax.

But in the long run, AMP's investment will make little sense for its own Australian policyholders unless it solves the chronic problem of door-to-door life insurers like Pearl: the mediocre productivity of their field staff. But this is an uphill job even for Prudential, which knows the market inside out: the odds do not look good for AMP, with its meagre UK experience.

In a sense this is now no longer the stock market's business; though the City should note that since there are 31 investment trusts in which Pearl has a stake of 5 per cent or more, any AMP-inspired change of policy might have wide reverberations in that sector. For the moment, the most pressing question is which life company will be next to go to a foreigner. With close to 10 per cent of its shares now owned by the French Pechelbronn/Athena group, Refuge is the obvious choice. A successful bid for Refuge could, however, also unravel the cross-shareholdings which defend Britannic, London & Manchester, and even the mighty Pru itself.



stances, the decision by Argyl not to convert some of its smaller stores from Presto to Safeway looks all the more sensible. Such extra spending would be unlikely to earn a decent return.

Argyl has now incurred the bulk of its conversion costs and should be comparatively well placed in any downturn, not too far behind Tesco and Sainsbury in the pecking order. The combination of lower exceptional costs and margin improvement at previously revamped new stores should provide a profits cushion in any recession. Pre-tax profit forecasts of £230m for the full year put the shares on a prospective p/e of 12. That is a two-point discount to Sainsbury; but then, it takes a long time in this sector for reputations to be established.

## Allied-Lyons

The market's view of Allied-Lyons may be a little grudging at present. The worry is less to do with the immediate earnings outlook - growth at the halfway stage is still in double figures - than with lack of clarity about the company's objectives. Granted, it is discouraging to hear that the policy on brewing has yet to be formulated and that some businesses under review may or may not be sold. It is also unsettling to hear that the company is joining in the £550m-plus auction for Whitbread's spirits business at the same time as bidding for Dunkin' Donuts in the US.

But the fact remains that Allied has a reasonably strong portfolio of pubs and beer brands, a growing UK/European food business and a good middleweight position in international drinks, backed by an alliance with Suntory in the fashionable Far Eastern market. At 467p the shares are on about 10 times earnings, a little above Bass and Grand Metropolitan; but while Allied is duller than either at present, it may also be safer.

## Lowriders Queensway

Lowriders Queensway seems to have set some kind of record from flotation to penny stock within 15 months. As yesterday's halving of the share price to 5 1/2p forewarned, more finance is now required from the long-suffering backers. Given that the market capitalisation is now equal to the sum raised, and September's rights issue, they will need strong stomachs.

## Rover

Yesterday's 3 per cent rise in British Aerospace shares was a classically pragmatic response to further evidence on how far the Government huddled on the Rover deal. The National Audit Office report is blunt on the uncommercial nature of the Government's objectives: to get rid of Rover within the present Parliament and - from Cambridge to Cheddar - if taxpayer would be free of any future liability, whatever the

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**WORLD WEATHER**

Algeria	10	12	Dubrovnik	12	14	Malta	16	18	Phnom Penh	28	30
Amsterdam	17	18	Edinburgh	12	14	Manila	26	28	Rio de Janeiro	28	30
Antwerp	17	18	Geneva	12	14	Medan	26	28	Santiago	28	30
Bahia	23	25	London	12	14	Montevideo	26	28	San Francisco	28	30
Bangkok	27	29	Madrid	12	14	Osaka	26	28	Sao Paulo	28	30
Batavia	27	29	Moscow	12	14	Perth	26	28	Singapore	28	30
Bombay	27	29	Nairobi	12	14	Port of Spain	26	28	Sydney	28	30
Buenos Aires	16	18	Paris	12	14	Port Moresby	26	28	Taipei	28	30
Calcutta	27	29	Rangoon	12	14	Port of Spain	26	28	Tokyo	28	30
Canton	27	29	Seoul	12	14	Port of Spain	26	28	Yokohama	28	30
Cebu	27	29	Taipei	12	14	Port of Spain	26	28			
Colon	27	29	Tokyo	12	14	Port of Spain	26	28			
Hankow	27	29	Yokohama	12	14	Port of Spain	26	28			
Hong Kong	27	29				Port of Spain	26	28			
Kobe	27	29				Port of Spain	26	28			
London	12	14				Port of Spain	26	28			
Lyons	12	14				Port of Spain	26	28			
Manila	26	28				Port of Spain	26	28			
Medan	26	28				Port of Spain	26	28			
Montevideo	26	28				Port of Spain	26	28			
Moscow	12	14				Port of Spain	26	28			
Nairobi	12	14				Port of Spain	26	28			
Paris	12	14				Port of Spain	26	28			
Rangoon	12	14				Port of Spain	26	28			
San Francisco	28	30				Port of Spain	26	28			
Sao Paulo	28	30				Port of Spain	26	28			
Singapore	28	30				Port of Spain	26	28			
Sydney	28	30				Port of Spain	26	28			
Taipei	28	30				Port of Spain	26	28			
Tokyo	28	30				Port of Spain	26	28			
Yokohama	28	30				Port of Spain	26	28			

## Major reticent on pound

Continued from Page 1

cial markets for the possibility of bad news he said that the recent rise in mortgage borrowing costs would make the "figure disappointing."

After its recent slide, the pound had a uneventful day on foreign exchange markets closing unchanged in London against the D-Mark at DM2.7925 and up 0.1 at 86.3 on the Bank of England's index-weighted exchange rate index. The Bank did not intervene in its support.

However, it is understood that the Bank, which was

intervening to prop up the pound on Monday and on three days last week, is far from happy about sterling's decline.

The Bank accepts that there has been a change in nuance in the Government's approach to the pound. However officials underline that its decline could harbour inflationary risks, if British industry is tempted to exploit sterling's increased international competitiveness to concede excessive wage increases.

For this reason, the Bank has not ruled out the need for higher interest rates.

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**INSIDE**

**Ship repair yard to the world**

Singapore shipyards have much to offer: the world's cheapest repair centre, the largest concentration of dock capacity and good labour-management relations, all set against a background of a strategic location along the main shipping lanes, excellent infrastructure and a stable exchange rate against major currencies. So it is little wonder that they have cornered 40 per cent of the world tanker repair market, with few rivals in sight. But, as Joyce Quek reports, all is not rosy. Page 23

**Waiting for new torch bearer**

The smoke belching from BASF's Ludwigshafen plant is a good deal thicker than those tiny puffs that give notice in paper elections. Yet the tensions and secrecy surrounding the choice of a new chairman at the West German chemicals group would do the Vatican proud. The result is due to be announced on December 15. But whoever takes over next year from the tough and witty Hans Albers (above) will have some tough times ahead. Peter Marsh looks at some of the likely candidates and the problems they face. Page 22

**Creative lending**

The World Bank is noted for the creativity of its own borrowing, but until now has not offered similar creativity on the lending side, says Mr John Taylor, manager of its co-financing unit. This will change in the next month or so as the first bonds carrying partial guarantees are issued under a plan that expands significantly the scope of the co-financing programme. Page 25

**On the crest of a wave**

The recent weakening of sterling exchange rates coupled with a shift in demand towards its larger, more profitable, vessels is the cause of much optimism for the coming year at Fairline Boats, the UK builder and retailer of boats and boating equipment. Chairman and managing director Sam Newling, announcing a 14 per cent rise in profits for the year to the end of September, said the Peterborough company had a full order book. Page 30

**Golden ripples**

The gold price rally since October 6, which took bullion up by 16 per cent to more than US\$420 an ounce before this week's correction, has sent ripples across the world's equity markets. While they reach places as far apart as Japan and West Germany, in the sector's three main homes - North America, Australia and South Africa - the pattern of stock market response has varied widely, according to the mining team at Kleinwort Benson. Page 44

**Market Statistics**

Base lending rates	48	London share index	38-30
Benchmark Govt bonds	25	London traded options	28
European options each	48	London traded options	28
FT-100 index	28	Money markets	48
FT-100 world index	44	New at bond issues	27
FT 100 bond service	28	World commodity prices	32
Financial futures	48	World stock index	48
Foreign exchanges	48	UK dividends announced	27
London stock issues	28	Unit trusts	34-37

**Companies in this section**

Aker	22	Georgia-Pacific	24
Allied-Lyons	22	Global Group	22
American Airlines	22	Golden Glow Nut Food	28
Argyll	27	GT Northern Nekosoa	24
Ariadne	22	Hambros	24
BASF	22	J. Walter Thompson	24
Bank of New England	44	Leeds Group	27
Bardsey	30	Liton Inds	24
Beckenham Group	30	Lone Star Inds	24
Bond Media	23	NEC	23
Brierley Investments	23	NSM	23
CCL Industries	24	Nat'l Australia Bank	23
CVC	27	Northern American Tr	27
Caird Group	27	RFS Group	27
Caedonia Invs	23	Radio City	27
Century Oil	29	Rock	27
Chemox Int'l	29	SAC International	28
Circaprint Holdings	27	Seatchi & Seatchi	28
Commerzbank	23	Sander	28
Consolidated Press	23	Sea Containers	28
Continental Assets	27	Shankis & McEwan	27
Cupid	27	Southnews	27
EIC	28	Tipton	27
Elektrisk Bureau	22	Toshiba	23
Elga Group	29	Verson Int'l	23
Fairline Boats	30	WR Jacob	30
Fired Earth Tiles	27	Wicks	30
		Young (H) Holdings	29

**Chief price changes yesterday**

FRANKFURT (DM)		Normant Gold	49 1/2 - 5
Bilbao	200 + 3.5	PARIS (FFP)	
IGD		Rosne	
Monte Carlo	923 + 13	Concept SA	374 + 22
Parade	785 + 15	Enco Franc	351 + 24.1
V.E.W.	196.5 + 5	Largo-Saner	1892 + 69.5
Phila		Milco	141.7 + 7.0
Basel	338 - 4	Phosphate	705 + 35.5
Vento-West	400 - 17	Phos	
NEW YORK (\$)		UFS-Locobal	472.9 - 21.1
Alcoa	63 1/2 + 3	TOYO (TYO)	
Sea Containers	44 1/2 + 3	Washita Paper	1180 + 100
Southwest	44 1/2 + 3	Saito Prec Tool	228 + 22
Phila		Kumho Chemical	1910 + 140
Chewon	65 1/2 + 3	Onoda	2120 + 280
Dayton Hudson	64 - 1 1/2	Phos	1250 + 140
Dynacore	61 1/2 - 3	Saba	
		Tejyo Steel BK	2480 + 230

**New York prices at 12.30pm**

LONDON (Pence)		Micro Focus	415 + 27
Risons	374 + 12	Reed	940 + 15
Aviation Int'l	754 + 4	Secretary (I)	235 + 4
BAT Inds	513 + 4	SmithKline Bch A	558 + 3
Brit Aerospace	482 + 11	Star Comp	77 + 14
Cable & Wire	482 + 11	San Life	1255 + 28
GE	1101 + 23	Uth Newspapers	481 + 30
Gen	747 + 15	York Chemicals	345 + 5
LASMO	547 + 21	Phos	
Lang (L) A'	593 + 21	Alphacore	46 - 25
Lang (L) B'	593 + 21	Enterprise Oil	625 - 13
Leg & Gen	398 + 7		
MEPC	489 + 12		

**Suez and Baltica in DKr4bn agreement**

By Hilary Barnes in Copenhagen

COMPAGNIE Financiere de Suez, the rapidly-expanding French financial group, and Baltica Holding, Denmark's largest insurance company, yesterday cemented a new European alliance with a DKr4.2bn (\$600m) financial agreement. Suez is to acquire a 23 per cent stake in Baltica, worth DKr2.53bn, while the Danish company will take a 3 per cent holding in Suez. In addition, Baltica Insurance is to pay DKr1.7bn for a 7.8 per cent stake in Colonia-Victoria, a Dutch holding company controlled by Suez and, in

turn, controlling the French Victoire and the German Colonia insurance group. Yesterday's deal strengthens Baltica's position ahead of the completion of Europe's single market and underlines Suez's increasingly broad international strategy. Its banking unit, Banque Indosuez, has been attempting to buy 26 per cent of Morgan Grenfell, the UK merchant bank which on Monday rejected the French approach and announced an agreed \$500m bid from Deutsche Bank. Baltica also has important UK links, and last spring acquired 10

per cent in Hambros Bank. Another large bank shareholder in Hambros, Italy's San Paolo di Torino, is also an important shareholder in Suez. The Franco-Danish alliance will be consolidated by an exchange of board seats. Mr Renaud de la Geniere, chairman and chief executive of Suez, and a second Suez representative will obtain seats on the board of Baltica Holding while Mr Peter Christoffersen, Baltica Holding's 43-year-old chief executive, will obtain a seat on the Suez board. Mr Christoffersen said the deal fulfils three important require-

ments for Baltica: access to a European network, a barrier against hostile takeovers (Suez is committed not to increase its holding to over 25 per cent), and a capital injection. Baltica will issue 3m shares to Suez at the November 23 market price of DKr846, giving a value of DKr2.53bn. In return the Danish concern will receive 3.5m Suez shares priced at Fick21 with a total value of DKr1.7bn, and DKr800m in cash. Baltica is a diversified insurance group, which also has its own investment bank and broking company. Nine-month operating profits rose to DKr563m (DKr421m) it announced yesterday, while total profits for the period were slightly down at DKr800m (DKr605m). Suez beat Italy's Carlo De Benedetti in a takeover battle last year for Belgium's biggest financial and industrial conglomerate, Societe Generale. Earlier this autumn, it acquired control of the Victoire group, the fifth largest French insurer, which in turn controls Colonia, Germany's second largest insurance group. Together, Colonia-Victoire is the sixth largest European insurance group.

**Shares dive at UK furniture retailer**

By Maggie Urry in London

THE FUTURE of Lowndes Queensway, the troubled furniture and carpet retailer, was called into question yesterday as its shares nearly halved in price, closing at 5 1/2 p, down from the 11p opening price. The shares had fallen 2 1/2 p on Monday. The group, which has about 10 per cent of the UK furniture and retailing market, has suffered under the combination of falling sales through its shops, as the housing market has been hit by the rise in mortgage rates, and the weight of its borrowings. Other highly-indebted retailers in similar sectors have also experienced difficulties; notably MFI, the furniture group which announced a refinancing in August, and Magnet, the kitchen furniture specialist, currently discussing a refinancing with its bankers. Shareholders said they had been told that the directors were in board meetings today. Last month the group recruited two non-executive directors to strengthen its board. Lowndes Queensway was formed through the £447m (£697m) leveraged takeover of Harris Queensway in August last year by a consortium headed by Mr James Gulliver, former chairman of Asda, a retailing group. The takeover involved a medium-term loan of £250m. At the time, the shares were valued by the group's stockbroker at 100p. At yesterday's closing price the group's market value is about £18.5m. Directors of the company were not returning telephone calls yesterday, and the group's external public relations company, also chaired by Mr Gulliver, said it could make no statement. The company's bankers were also unresponsive to queries. In August this year, the group announced a refinancing that involved a £18.5m rights issue at 20p, taken up by 96.5 per cent of shareholders, and a deferral of £15m of debt repayments. Last month, the company announced a £16.9m pre-tax loss for the half year to the end of July and said its debts at the end of the period were £198.5m. This reflected the seasonal peak borrowing period and debt should now have fallen. Whether the refinancing was arranged Lowndes Queensway said it had been worked out on a "worst case" basis, and that no further recourse to shareholders and banks would be necessary. However, analysts speculated yesterday that the company did now need to raise extra finance. Lex, Page 20

**Former Plessey chief to head BAT's paper side**

By Nikki Tall in London

MR Stephen Walls, the managing director who quit Plessey after the electronics company succumbed to a £2bn (\$3.12bn) bid from General Electric Company and Siemens of West Germany in September, is to head the pulp and paper interests of BAT Industries, the tobacco-based conglomerate. BAT is due to spin off these businesses as a separately-quoted company in the second quarter of 1990 as part of its response to the bid threat from Sir James Goldsmith's Hoylake consortium. The company would comprise the US-based Appleton Papers and Wiggins Teape in the UK. BAT has already forecast trading profits of about £212m for the paper interests in 1989, and analysts have suggested the paper company could have a market capitalisation around £12m - qualifying it for entry in the FT-SE 100 Share Index. Mr Walls, 42, will become chair-

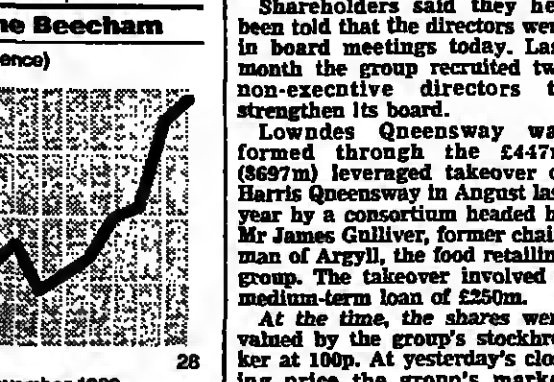
man and chief executive designate of the newly-created Plessey Paper, a new business to be launched on December 1. He will operate from BAT's London headquarters initially but said yesterday a separate head office was being sought. Yesterday, Mr Walls was coy about revealing his salary - or even whether it topped his £175,000-a-year remuneration at Plessey. He is believed to have left the electronics group with about £1m from his outstanding contract and share options. He declined to be drawn on the future strategy for the paper businesses. He did, however, confirm that further senior appointments would be necessary from inside and outside the paper companies to establish a parent company board for the new business. Mr Michael Brighton, chairman of Wiggins Teape, and tipped to be BAT's next finance director will sever direct connections with the

paper company but will remain a finance director on BAT's main board. Mr Walls is an accountant by training. His career includes stints at Lindstrups (taken over by Hanson), Vernons (now part of Ladbroke), and Chesborough bonds, the US group acquired by Unilever. He moved to Plessey in 1987, initially as finance director. Hoylake comes before the insurance commissioner in Illinois today in its attempt to win US regulatory clearances for its latest bid for BAT. The hearings, however, will concern only Hoylake's application to take control of Farmers Group, BAT's US insurance subsidiary. Proceedings relating to the application from Anadil, lined up as the buyer of Farmers if a Hoylake bid is successful, have been delayed until the New Year. Meanwhile, the state commissioner in Washington state has scheduled an April hearing date.

**SmithKline heart attack drug wins approval in US**

By Peter Marsh in London

SMITHKLINE Beecham, the Anglo-American pharmaceutical company, has received permission from the US Government to start selling its Emnase heart attack drug in the US. Some analysts expect revenues from the product - one of a relatively new family of drugs which promise greatly to reduce deaths from heart attacks - to reach \$300m a year by the early 1990s. That would put the medication among the world's 50 top-selling drugs. Approval of Emnase by the US Food and Drug Administration, announced yesterday, will put SmithKline in a better position to challenge Genentech of the US, which already has a similar product on general sale. Revenues from the Genentech formulation, which is called Activate and went on sale two years ago, are expected to top \$200m this year. SmithKline shares showed heavy gains in early trading yesterday on the London stock market but slipped back to close at 55p, up 3p.



Both Activate and Emnase work by dissolving the blood clots that form in the arteries of heart-attack victims and commonly cause death. The Genentech drug, on the other hand, is more complex to administer and has to be infused into the blood stream while the patient is in an intensive care unit. Emnase is also likely to be cheaper than Activate, a factor which may stimulate sales. Analysts expect Emnase to cost half the \$200 a shot at which the Genentech product sells in the US.

Winning approval to sell the product in the US, the world's biggest drug market, is highly important for SmithKline, according to Mr Jonathan de Pass, an analyst at Barclays de Zoete Wedel, a London broker. Some believe Emnase could have a marketing edge on Activate in that it can be administered to a patient by injection while the individual is on the way to hospital in an ambulance. This approval may help to save the patient's life because it is in the first few minutes after an attack that the victim is most at risk. The Genentech drug, on the other hand, is more complex to administer and has to be infused into the blood stream while the patient is in an intensive care unit. Emnase is also likely to be cheaper than Activate, a factor which may stimulate sales. Analysts expect Emnase to cost half the \$200 a shot at which the Genentech product sells in the US.

**Christian Norgren's fall from grace**

William Dullforce explains why the Prince of Liechtenstein's dismissed his financial adviser

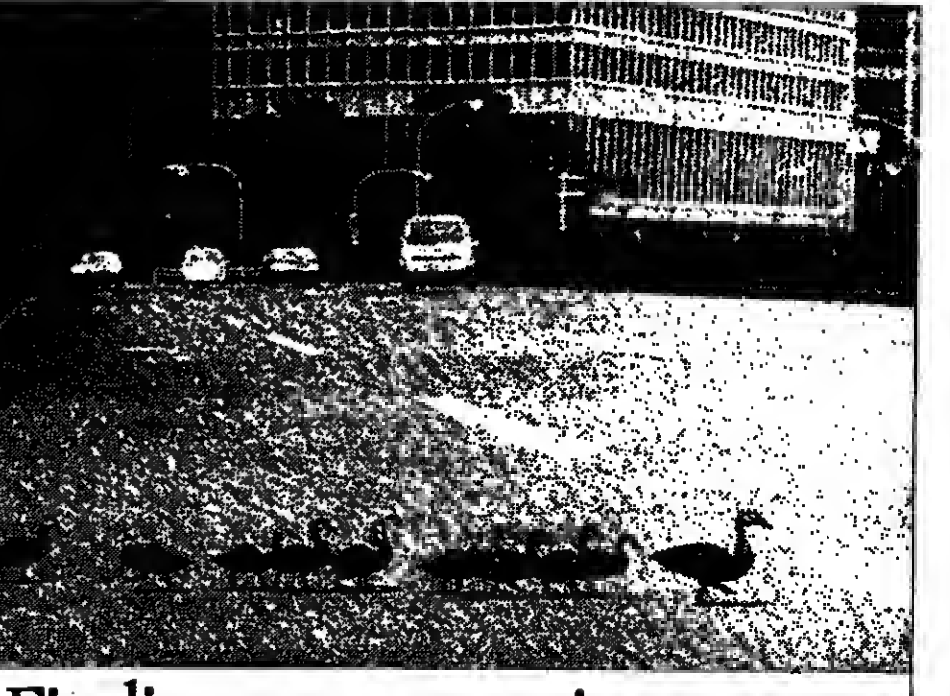
November has been a sad month for Liechtenstein's ruler, Prince Hans Adam. On the 13th, the death of his father, Prince Franz Josef II, followed closely upon that of his mother. And then on Saturday he was forced to confront Mr Christian Norgren, his financial adviser, asking and jogging partners with allegations that he was implicated in an insider trading scandal. A Swiss financial weekly, had uncovered a link between a member of Mr Norgren's staff and Mr Peter Ritter, director of Finacor, a Liechtenstein company accused by the US Securities and Exchange Commission (SEC) of having misused inside information to buy stock in Combustion Engineering Inc before its \$1.6bn bid for it by Asea Brown Boveri (ABB) had been made public. Faced with this charge, Mr Norgren admitted to the Prince that he was a part owner of Finacor. This marked the beginning of the end for what has been one of the most spectacular careers in European banking. On Sunday the 49-year-old Swedish banker was dismissed as President of the princely family's foundation and as chairman of Bank in Liechtenstein, which had been expanding rapidly under his leadership. Then on Monday ABB, one of Europe's leading engineering companies, announced that he had resigned from its board. Speaking yesterday from his home in Vaduz, the Liechtenstein capital, Mr Norgren admitted that he and his advisers had made a dreadful mistake. The only explanation for this was exhaustion. After working for 12 to 14 hours a day, with very little holiday, one risked taking wrong decisions, he said. In an effort to correct the situation, he said, Finacor had been instructed well before his confrontation with Prince Hans Adam, to sell back all its Combustion Engineering options and shares at the original prices. Mr Norgren said he knew nothing about trades in Combustion Engineering stock which the SEC alleges in its suit were executed through other agencies - Guardian Bank and Trusy Cayman Ltd and Banque Internationale a Luxembourg.

On November 9 and 10, three days before the ABB bid for CE was announced, Finacor had indeed bought Combustion Engineering shares, to make five transactions. These had been executed through a Zurich broker. They had all been unwound without profit. Mr Norgren said his lawyers would explain these details in the Manhattan court on December 1, when the SEC suit comes up for hearing. Whatever the outcome of the case, the insider trading charge is extremely awkward for the tiny principality, which over the last few years has started to build up an extensive international asset management business, partially

ture has been its banking secrecy, the absence of currency controls and its hospitality to holding companies. Liechtenstein's rise to riches came after the Second World War under Prince Franz Josef. But Prince Hans Adam - granted executive powers in 1984 - has worked to have the family's fortune more efficiently managed and to see Liechtenstein become a reputed centre for managing others' wealth. This was the job Mr Norgren came to, with the support of powerful mentors, in 1981. Not only was he a protégé of Sweden's most influential industrialist and banker, Mr Marcus Wallenberg, he also had the support of Mr Herman Abs, a former chairman of Deutsche Bank and long-standing adviser to Liechtenstein's royal family. Mr Alfred Herthagen, now Director of the Bank's chief executive was reportedly the first choice for the Liechtenstein position but Mr Abs had other ideas for Mr Herthagen. Secrecy still heavily shrouds the Liechtenstein family foundation which it is estimated has total assets today worth close to \$3.5bn. Mr Norgren has presided over a remarkable transformation at the Bank in Liechtenstein. In 1981 it had 150 employees, all in the principality, and performed some portfolio management on an advisory basis. Today, it has almost 1,200 employees, of which 800 are abroad, and it is estimated to manage funds totalling close to SFr30bn (\$18.5bn). It has acquired three businesses in West Germany, a bank in Switzerland and an investment counselling business in New York with some \$1.2bn under management. Mr Norgren's biggest coup was the purchase this year, for \$915m, of GT Management, the London financial services group, which has given BIL important bases in the Far East, and a substantial institutional investment management business. For Mr Norgren, however, these successes were insufficient to outweigh the one dreadful mistake which his close friend Prince Hans Adam found inex-

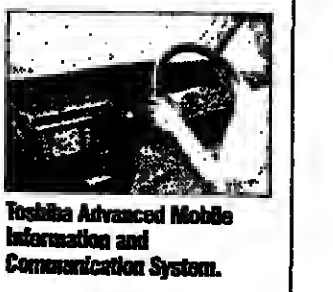


Prince Hans Adam (left) forced to confront his close friend and financial adviser, Christian Norgren, with allegations of insider trading



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## INTERNATIONAL COMPANIES AND FINANCE

## Airlines in talks on reservations systems merger

By Paul Betts, Aerospace Correspondent

AMERICAN AIRLINES, the largest US airline, is negotiating a commercial and technical co-operation agreement with a consortium of leading European airlines to link its Sabre computer reservation system with the European Amadeus computer reservation network.

Ms Kathy Misunas, Sabre's president, said yesterday she expected the negotiations to be concluded in the next two months. The American Airlines system is the world's largest private real-time computer network and travel information system; Amadeus is a computer reservation system grouping Air France, Lufthansa, SAS and Iberia, among other European airlines.

A partnership between Sabre and Amadeus would compete against a rival partnership between Covia, the computer reservation system of United

Airlines, and Galileo, a European consortium including British Airways, Alitalia, KLM, Sabena and Aer Lingus, among other European airlines.

With or without an agreement with Amadeus, Sabre intended to go ahead with a big expansion plan in Europe next year designed to double the number of agencies operating the American Airlines system to 1,600, including 600 in the UK, Ms Misunas said.

Computer reservation systems have become a key competitive instrument for airlines. The expansion of Sabre in Europe parallels the US carrier's ambitious development plans in Europe, with a significant increase in scheduled services between the US and European destinations.

Ms Misunas said a tie-up would probably not involve cross-shareholdings between the two consortiums.

## Aker spends Nkr1.9bn to lift Spanish cement stake

By Karen Fossil In Oslo

AKER, the big Norwegian industrial group, is spending Nkr1.9bn (\$277m) to boost its shareholding from 11.3 per cent to 24.8 per cent in Valenciana de Cementos Portland (CVCP), Spain's largest cement producer.

The move is one of the biggest single direct investments overseas by a Norwegian company and underlines Aker's commitment to expanding its international cement activities. Including partnerships and joint ventures Aker is among the world's top five cement producers in terms of production capacity.

Aker's purchase of an additional 13.5 per cent interest in CVCP from subsidiaries of the Spanish cement company makes it the second-biggest shareholder in the Spanish company.

The CVCP group's cement clinker production capacity is 9m tonnes annually, or one-third of total

Spanish cement production. To finance the purchase Aker plans to raise Nkr500m through an equity issue of 4.4m B-class non-voting shares, the sale of properties and a long-term loan. The share issue may take place early next year.

Aker said the purchase must be seen against the trend towards larger groupings in both cement trading and production.

In early 1988 Aker and its Swedish partner Euro, which together form Seacem, purchased Castle Cement for \$230m (\$350m) from RTZ, the UK-based mining, energy and industrial group.

Banco Espanol de Credito (Banesto), CVCP's largest shareholder with a 35 per cent stake in the company, is understood to be considering whether to block Aker's new share acquisition, though Aker says it has no plans to increase further its stake in the company.

## W German bank raises profits 10% to DM929m

By Andrew Fisher in Frankfurt

COMMERZBANK, West Germany's third-largest commercial bank, yesterday announced that its rate of earnings progress had speeded up in recent months, with a 10 per cent gain at the 10-month stage to DM929m (\$505m) in partial group operating profits.

The figure leaves out the bank's trading of securities and foreign exchange on its own account. Commerzbank said that although these made a substantial contribution, its total (undisclosed) operating profit had stayed at last year's level.

Overall, said Mr Walter Seipp, chief executive, "we expect a satisfactory result for 1989." He referred to the bank's income from both sales of company stake and securities. Last year its group net profit rose 16 per cent to DM489m.

Following the example of Deutsche Bank, Commerzbank gave a fuller breakdown of its sizeable stakes in industry, which it said had a market value of DM4.2bn at the end of October.

Mr Seipp said the value of Commerzbank's holdings amounted to about DM168 a share. The company's share price closed DM2 higher yesterday at DM257.50. Mr Seipp described the difference between their actual and book value as "considerable."

## EB to announce British purchase

ELEKTRISK Borsen (EB), the Norwegian electrical engineering and telecommunications group, said it would today announce the acquisition of a British company, but declined to name the company or the price, writes Andrew Bolger.

EB said the British company would fit in with one of its existing business sectors, which include power generation and telecommunications. EB is 63 per cent owned by Asea Brown Boveri, the electrical engineering concern.



## BASF hides new chief behind smokescreen

Peter Marsh on the speculation over a German chemical company's top appointment

Ay unusual puffs of smoke emanating from BASF's giant chemicals complex at Ludwigshafen over the next fortnight will be regarded with more than usual interest. The smoke could well be a sign that the big West German chemicals group is ready to tell the world who its new leader is.

The supervisory board of BASF, the West German company which is among the world's top three chemicals groups, is due to ratify on December 15 the appointment of the group's new chairman, who will take over next summer from Mr Hans Albers.

The successor to Mr Albers, who is 65 next year and is retiring, has already been chosen by the company's executive board and although no one at the moment is divulging the new chairman's identity, it is thought that the news will leak out over the next two weeks.

Whoever takes over from Mr Albers - a tough and wily chemicals industry veteran who conveys a taciturn image but in conversation can display unexpected humour - will have a tough job.

Although BASF, like most of the other big international chemicals groups, has enjoyed good profits growth over the past three years, the early 1990s may well be a more difficult period for the company. Demand for chemicals products, which has boomed in most parts of the world since the mid-1980s, is thought likely to ease off, as a result of a slowdown in economic conditions in many developed countries.

particular for BASF, which many analysts believe is relatively highly exposed to any future reduction in demand in high-volume commodity materials such as bulk plastics, basic industrial chemicals and fertilisers.

Another likely headache for the successor to Mr Albers is in wrestling with the environ-

mental issues that - in much of Western Europe and in West Germany in particular - have made life difficult for many large chemicals groups over the past few years.

The chemicals industry, which by its very nature produces large amounts of waste products and has commonly been associated with pollution, has found itself increasingly on the defensive as a result of the rapid rise in public interest in environmental policies.

BASF has been an obvious target for environmental activists not only because of its size

but because of the high visibility of its main production site at Ludwigshafen, which with 55,000 employees (nearly half BASF's worldwide head count) and an annual output of 8m tonnes is Western Europe's biggest chemicals complex.

Many within the chemicals business feel that the industry

some time as head of BASF's operations in the US - where the company last year gained a fifth of its DM445bn (\$23.8bn) annual sales.

Also in the running is Mr Ronaldo Schmitz, BASF's urbane and supplely dressed finance director, who is an economist by training and is 51.

However, both men have against them the fact that they are non-chemists; BASF has never chosen such a person as its leader.

That may tip the scales towards any one of the three chemists on BASF's board who appear to be challengers. Of these, Mr Dieter Stein, an impressive 55 year old who is in charge of BASF in North America, seems to some to have the best credentials; the other candidates are Mr Wolfgang Jentsch, 57, and Mr Dietmar Werner, 55.

Leaving aside the discussions over the leadership, much of BASF's attention in the coming months will be devoted to looking out for any signs of the recession that some believe is about to hit the chemicals sector.

Here the company can be buoyed by its better-than-expected third-quarter results: pre-tax profits for the first nine months of 1989 were 22 per cent higher than for last year.

In a recent interview, Mr Schmitz said BASF saw no need to fear developments in 1990. "There may well be a slowing down of growth. But we see no big effects on profits."

In keeping with these bullish sentiments, BASF is planning

a capital-spending programme of DM4.5bn next year, up from DM4.1bn this year and compared to about DM3.5bn a year in the mid-1980s. About two-fifths of this cash will be spent at Ludwigshafen, with the rest scattered around BASF's other plants in Europe and in Japan and the US.

Part of BASF's policies for the 1990s is to spread the impact of any possible slowdown in demand by increasing the proportion of its sales from outside the European Community; the community at present accounts for just over half annual revenues. South-east Asia, where BASF gains just 7 per cent of its sales, is one target for a turn-over increase.

In its development programme BASF has also been trying to accent high-value, research-intensive products whose profits are more likely to hold up in a recession. For example, it is trying to progress in engineering plastics and specialised coatings.

And in an effort to bolster its modest pharmaceutical division, the company is spending \$70m on a new genetic-engineering laboratory in Massachusetts in the US.

SALES BREAKDOWN 1988 (DMbn)	
Raw materials/energy	5.7
Industrial chemicals	9.0
Agricultural chemicals	4.8
Plastics	6.0
Dye stuffs	7.7
Consumer products	8.7
TOTAL	43.9



Hans Albers: a tough and wily chemicals industry veteran

has not done enough to convey a positive message on environmental matters by, for example, stressing the large sums of money the sector is spending on pollution control. Whoever takes over from Mr Albers will be expected to take a lead in this area.

There are five obvious candidates for the job, all of whom are on BASF's executive board. Among the frontrunners is Mr Jürgen Strube, 50, a lawyer who has a reputation as a good communicator and worked for

mental issues that - in much of Western Europe and in West Germany in particular - have made life difficult for many large chemicals groups over the past few years.

The chemicals industry, which by its very nature produces large amounts of waste products and has commonly been associated with pollution, has found itself increasingly on the defensive as a result of the rapid rise in public interest in environmental policies.

BASF has been an obvious target for environmental activists not only because of its size

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Not for our pre-painted steel, although it is cutting manufacturing costs in industries as diverse as construction and white goods.

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EUROPE'S BUSINESS NEWS PAPER

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Interest Period: 30 November, 1989 to 31 May, 1990

Interest Amount per £500,000 Note due 31 May, 1990: £39,142.47

Agent Bank Baring Brothers & Co., Limited

This announcement appears as a matter of record only.

October, 1989

## EDI Marine Carriers Ltd.

Taiwan, R.O.C.

## Fuel Oil Hedging Programme

executed by

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Application has been made for the issued Ordinary Shares of 5p each ("Ordinary Shares") and the issued 8 1/2 per cent. Net Convertible Cumulative Redeemable Preference Shares of £1 each ("Convertible Preference Shares") of Cityvision plc to be admitted to the Official List. It is expected that such admission will become effective and that dealings will commence in the Ordinary Shares and the Convertible Preference Shares on 30th November, 1989.

## CITYVISION plc

(Registered in England No. 1047436)

Introduction to the Official List

of 112,796,433 Ordinary Shares and

8,952,264 Convertible Preference Shares

Sponsored by ANZ McCaughan Merchant Bank Limited

## SHARE CAPITAL

Authorised	Issued
7,870,000	5,639,822
10,225,000	8,952,264
18,095,000	14,592,086

Cityvision is the largest UK operator of video film hire stores with over 500 stores trading under the Rita Video Film Hire name and is also the largest supplier of video films for hire through non-specialist retailers, supplying major retail chains and independent retailers through Videoterve and Tredegar.

Listing particulars relating to Cityvision plc are available in the statistical service maintained by Exel Financial Limited and copies may be obtained during normal business hours on 30th November, 1989 and 1st December, 1989 at the Announcements Office of The International Stock Exchange and during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 21st December, 1989 from:

ANZ McCaughan Merchant Bank Limited  
65 Holborn Viaduct  
London EC1A 2EU

Cityvision plc  
Charter Court  
Third Avenue  
Southampton  
SO9 1QS

29th November, 1989



INTERNATIONAL COMPANIES AND FINANCE

# Sunrise for Singapore shipyards

Joyce Quek finds that marine repairs have escaped the doldrums

It's sunrise, sunset, and sunrise again for Singapore's ship repair industry. Once doomed to a limited future of red ink, it is enjoying a boom that will see industry turnover eclipsing the 1981 peak of \$1.1bn (US\$677m).

On the back of a 45 per cent revenue surge to \$990m in 1988, analysts have forecast an average 33 per cent leap to \$1.33bn in 1989 and to \$1.87bn for 1990.

Metlock, the cheapest marine counter, is not even listed on the stock exchange of Singapore's main board. It had languished on Seadag, the second-tier board, at the \$1.17 level three months ago. Currently, despite the downward pull of Friday the 13th on the world bourses, it can only be purchased at double the price.

Though other factors have contributed to its rise, the popularity of marine stocks is a major plus. Singapore shipyards have much to offer, the world's cheapest repair centre, the largest concentration of dock capacity, at 2.8m dwt, and good labour-management relations, all set against a background of a strategic location along the main shipping lanes, excellent infrastructure and a stable exchange rate.

It is little wonder then that the vastly experienced shipyards have cornered 40 per cent of the world tanker repair market, with few rivals. Most analysts like Morgan Grenfell Asia Securities and Merrill Lynch believe the boom is sustainable for at least two years. Some, like Morgan Grenfell, have carried out an in-depth industry study and cite the following favourable factors:

- An upturn in shipping, especially with seaborne trade volumes in the Far East expanding by 20 per cent - 30 per cent over the next five years.
- The substantial gap between new building cost (\$155m for a new very large crewed carrier) and second-hand vessel prices



The P&O container ship Liverpool Bay in the port of Singapore

(S\$45m for a 14-year-old vessel) widening still further, leading to intense speculation in the second-hand tanker market. The 1973/74 world oil crisis discouraged the building of many new ships.

● An ageing world fleet, with 73 per cent of the world tanker tonnage more than a decade old, according to Lloyd's register of shipping.

● A new Lloyd's classification for the world's largest vessels, which lets shipowners extend their vessels' economic lives from 15-20 to 25-30 years.

● Extensive repair work now required for vessels due to their neglect or poor maintenance during the slump. Ship repair accounted for three quarters of the marine industry's revenue in 1988, compared to 45 per cent during the 1981 peak.

Singapore's Asian rivals are less of a threat than those in Europe, in particular West Germany, and, in the long run, perhaps China. The South Koreans and Japanese have priced themselves out of the market while those closer to home - Malaysia, Indonesia and the Philippines - do not have the infrastructure and expertise to match.

Rigbuilding, once a major contributor to the marine industry, has likewise enjoyed some resurgence. Once the world's second largest rigbuilding centre, times have hit so hard that there is only one active company left - Far East Levingston, an international leader in rig technology with an order book of \$300m.

Among Singapore's shipyards, government-linked Keppel Corporation is the one most touted by analysts as a core holding. It has one third of the ship repair market and the largest drydock capacity at 1m dwt.

Keppel has diversified the most through its eight listed companies - not only in core businesses - finance and offshore construction - but physically as well in low-cost locations. It owns two yards in the Philippines which were successfully floated on Filipino exchanges and a stake in an Indian shipyard with Chokkai International.

State-owned Sembawang Shipyard, the second-largest local ship repairer, is looking for facilities in the region but Jungo Shipyard is content with its Japanese connection through Ishikawajima Harima Heavy Industries.

The future, many believe, lies in the leisure business, an area with good growth potential as it caters for Asian yachtsmen who want to take to the high seas. Keppel has bought three companies which repair or build pleasure craft, including California-based builder Pacific Seacraft.

## Bond Media questioned over sudden share fall

By Bruce Jacques in Sydney

BOND MEDIA, the Australian television and radio company controlled by Mr Alan Bond, has been queried by the stock exchange over a sudden share price fall.

The fall, from 20 cents to an all-time low point of 15 cents, has heightened speculation that the company's two main creditors, the National Australia Bank and Mr Kerry Packer's Consolidated Press group, are about to move for control. The National is leading a syndicate owed about A\$85m (US\$302.1m), due in January, while Mr Packer holds A\$200m worth of Bond Media preference shares which mature in March. Mr Packer has employed William Turnbull, the Sydney merchant bank, to advise on a strategy to protect his investment and the National recently commissioned a report on the company's affairs from Peat Marwick Humphreys, the firm of accountants.

Market speculation is that one of several options before Mr Packer and the National is to form a joint venture company to bid for Bond Media. The National is leading a syndicate of creditors and perhaps allow the partners eventually to dispose of the broadcasting assets at a price sufficient to cover debts.

But Mr Bond's flagship company, Bond Corporation, which controls about 58 per cent of Bond Media, could emerge as a stumbling block in any such strategy.

The Bond group is still carrying the broadcasting assets in its books at close to A\$1bn, but would crystallise a large loss on any sale of Bond Media shares at a price around current market levels. Such a loss could be sufficient to cause the collapse of Bond Corporation, which is already struggling to maintain the support of its bankers. Bond Corporation shares fell 1 cent to 30 cents yesterday, and shares in the Bell Resources subsidiary fell 9 cents to 76 cents.

Costs are on the rise again but ship repair rates have followed in the light of the demand at yards already operating at full capacity. Since its rebound, shipyards have not looked back. The marine industry's contribution to the gross domestic product was back up to 1.3 per cent last year.

The downside to the otherwise rosy picture is the city state's lack of a domestic market to take up the slack in lean years, and its chronic shortage of skilled labour which translated into high wages (up 10 per cent in 1988 and another 8 to 10 per cent in 1989) and continued dependence on foreign labour, comprising four of every 10 shipyard workers.

As the Government discourages the use of foreign workers by imposing a monthly \$250 foreign levy per person, analysts believe that growth has to come from high margins which the yards will have to fine tune to maintain their price advantage which, by one estimate, is 20 per cent against rivals.

Prices were raised 10 per cent at the beginning of the year but are unlikely to go much higher. Merrill Lynch expects another 15 to 20 per cent increase over the next two years.

## Malaysian group to sell assets of main subsidiary

By Lim Siong Hoon in Kuala Lumpur

MULTI-PURPOSE Holdings, the diversified Malaysian group where control has passed from a political party to a family company earlier this year, is to sell assets in its most important subsidiary, Dunlop Estates, to Industrial Oxygen Incorporated (IOI).

The 500m ringgit (\$185.2m) deal covers the disposal of 27,000 hectares of oil palm, rubber and cocoa, and processing mills, IOI, a public quoted company, has businesses in plantations, gases, and real estate.

Without Dunlop Estates, Multi-Purpose will lose nearly half its revenue - 530m ringgit last year - derived from plantations. Dunlop Estates has also sold 32.5 per cent of its 53.7 per cent stake in Malaysian Plantations to Kamunting Corporation, the reputed white knight involved in a two-way tie for Multi-Purpose's largest asset, the Malaysian Chinese Association (MCA), a partner in the coalition government, once controlled Multi-Purpose through the party's co-operative society, Koperasi Serbaguna Malaysia. KSM has the single largest stake of 28.9 per cent in the group.

But when KSM went into receivership and Multi-Purpose floundered simultaneously under accumulated losses of more than 400m ringgit, a variety of schemes was mooted to rescue the group.

Kamunting offered to buy KSM, and thereby control Multi-Purpose. Aided by Malaysian Plantations, and using a combination of new share issues, convertible loan stocks, and debts, Kamunting, must raise 500m ringgit to bail out the co-operative society.

Shareholding control of the company, which is publicly quoted like Malaysian Plantations and Dunlop Estates, is held by Mr Lim Ah Tam, a tin miner, and his family. Until its own reconstruction, Kamunting's paid-up shares amounted to 50m ringgit.

Equity restructuring this month will inflate Kamunting's share capital sevenfold to 355m ringgit. At Malaysian Plantations last week, the company issued a cash call through a two-for-one rights issue which will triple its capital to 180m ringgit.

Multi-Purpose itself has long-term debts of 300m ringgit and last year managed to return a bottom-line profit of 16m ringgit after three years in the red.

For its purchases, IOI will resort to debt and equity finance. At 300m ringgit, IOI is two-thirds the size of Dunlop Estates in market capitalisation.

## Brierley wins control of Ariadne

By Bruce Jacques in Sydney

BRIERLEY INVESTMENTS, the New Zealand investment company, has won board control of Ariadne Australia, the former share-boom high flier which almost collapsed last year.

Mr Bruce Judge, the controversial Ariadne chairman, has also returned as a director after a fiery annual meeting in Brisbane yesterday.

Mr Malcolm Edwards, Ariadne's managing director, whose Grylls group claims to speak for about 37 per cent of the company's capital was sacked at the meeting. Three other sitting directors, Mr Don Liffon, Mr Warren Thompson and Mr Gordon Amadeus were also sacked.

These Brierley Investments representatives were elected in their place - Sir Ronald Brierley, Dr Gary Weiss and Mr Doug Conway. Mr Barry Capp, the company's chairman, was not challenged.

Sir Ronald, who supported Mr Judge's election, said he planned liquidation of the group's assets. This appears to be at odds with statements from Mr Judge that no further asset sales are necessary.

Ariadne has contracted to sell its Wreckair machinery division to Brambles Industries for \$A125m, but the new board may abort the sale, with Sir Ronald believed to feel the price is too low.

The board elections may yet be overturned through court action by Mr Edwards over a disputed parcel of shares which would give Grylls control of a further 18 per cent of Ariadne's shares.

## Electricité de France

ECU 60,000,000 12 1/2% Guaranteed Notes due 1993

On November 17, 1988, Notes for the amount of ECU 9,600,000 have been drawn in the presence of a Notary Public for redemption on January 6, 1991.

The following Notes will be redeemable at par coupon due January 6, 1991 and following attached:

Amount outstanding: ECU 42,000,000	
33448 to 33454 incl.	38140 to 38146 incl.
33480 to 33486 incl.	38246 to 38252 incl.
33510 to 33516 incl.	38346 to 38352 incl.
33538 to 33544 incl.	38446 to 38452 incl.
33568 to 33574 incl.	38546 to 38552 incl.
33598 to 33604 incl.	38646 to 38652 incl.
33628 to 33634 incl.	38746 to 38752 incl.
33658 to 33664 incl.	38846 to 38852 incl.
33688 to 33694 incl.	38946 to 38952 incl.
33718 to 33724 incl.	39046 to 39052 incl.
33748 to 33754 incl.	39146 to 39152 incl.
33778 to 33784 incl.	39246 to 39252 incl.
33808 to 33814 incl.	39346 to 39352 incl.
33838 to 33844 incl.	39446 to 39452 incl.
33868 to 33874 incl.	39546 to 39552 incl.
33898 to 33904 incl.	39646 to 39652 incl.
33928 to 33934 incl.	39746 to 39752 incl.
33958 to 33964 incl.	39846 to 39852 incl.
33988 to 33994 incl.	39946 to 39952 incl.
34018 to 34024 incl.	40046 to 40052 incl.
34048 to 34054 incl.	40146 to 40152 incl.
34078 to 34084 incl.	40246 to 40252 incl.
34108 to 34114 incl.	40346 to 40352 incl.
34138 to 34144 incl.	40446 to 40452 incl.
34168 to 34174 incl.	40546 to 40552 incl.
34198 to 34204 incl.	40646 to 40652 incl.
34228 to 34234 incl.	40746 to 40752 incl.
34258 to 34264 incl.	40846 to 40852 incl.
34288 to 34294 incl.	40946 to 40952 incl.
34318 to 34324 incl.	41046 to 41052 incl.
34348 to 34354 incl.	41146 to 41152 incl.
34378 to 34384 incl.	41246 to 41252 incl.
34408 to 34414 incl.	41346 to 41352 incl.
34438 to 34444 incl.	41446 to 41452 incl.
34468 to 34474 incl.	41546 to 41552 incl.
34498 to 34504 incl.	41646 to 41652 incl.
34528 to 34534 incl.	41746 to 41752 incl.
34558 to 34564 incl.	41846 to 41852 incl.
34588 to 34594 incl.	41946 to 41952 incl.
34618 to 34624 incl.	42046 to 42052 incl.
34648 to 34654 incl.	42146 to 42152 incl.
34678 to 34684 incl.	42246 to 42252 incl.
34708 to 34714 incl.	42346 to 42352 incl.
34738 to 34744 incl.	42446 to 42452 incl.
34768 to 34774 incl.	42546 to 42552 incl.
34798 to 34804 incl.	42646 to 42652 incl.
34828 to 34834 incl.	42746 to 42752 incl.
34858 to 34864 incl.	42846 to 42852 incl.
34888 to 34894 incl.	42946 to 42952 incl.
34918 to 34924 incl.	43046 to 43052 incl.
34948 to 34954 incl.	43146 to 43152 incl.
34978 to 34984 incl.	43246 to 43252 incl.
35008 to 35014 incl.	43346 to 43352 incl.
35038 to 35044 incl.	43446 to 43452 incl.
35068 to 35074 incl.	43546 to 43552 incl.
35098 to 35104 incl.	43646 to 43652 incl.
35128 to 35134 incl.	43746 to 43752 incl.
35158 to 35164 incl.	43846 to 43852 incl.
35188 to 35194 incl.	43946 to 43952 incl.
35218 to 35224 incl.	44046 to 44052 incl.
35248 to 35254 incl.	44146 to 44152 incl.
35278 to 35284 incl.	44246 to 44252 incl.
35308 to 35314 incl.	44346 to 44352 incl.
35338 to 35344 incl.	44446 to 44452 incl.
35368 to 35374 incl.	44546 to 44552 incl.
35398 to 35404 incl.	44646 to 44652 incl.
35428 to 35434 incl.	44746 to 44752 incl.
35458 to 35464 incl.	44846 to 44852 incl.
35488 to 35494 incl.	44946 to 44952 incl.
35518 to 35524 incl.	45046 to 45052 incl.
35548 to 35554 incl.	45146 to 45152 incl.
35578 to 35584 incl.	45246 to 45252 incl.
35608 to 35614 incl.	45346 to 45352 incl.
35638 to 35644 incl.	45446 to 45452 incl.
35668 to 35674 incl.	45546 to 45552 incl.
35698 to 35704 incl.	45646 to 45652 incl.
35728 to 35734 incl.	45746 to 45752 incl.
35758 to 35764 incl.	45846 to 45852 incl.
35788 to 35794 incl.	45946 to 45952 incl.
35818 to 35824 incl.	46046 to 46052 incl.
35848 to 35854 incl.	46146 to 46152 incl.
35878 to 35884 incl.	46246 to 46252 incl.
35908 to 35914 incl.	46346 to 46352 incl.
35938 to 35944 incl.	46446 to 46452 incl.
35968 to 35974 incl.	46546 to 46552 incl.
35998 to 36004 incl.	46646 to 46652 incl.
36028 to 36034 incl.	46746 to 46752 incl.
36058 to 36064 incl.	46846 to 46852 incl.
36088 to 36094 incl.	46946 to 46952 incl.
36118 to 36124 incl.	47046 to 47052 incl.
36148 to 36154 incl.	47146 to 47152 incl.
36178 to 36184 incl.	47246 to 47252 incl.
36208 to 36214 incl.	47346 to 47352 incl.
36238 to 36244 incl.	47446 to 47452 incl.
36268 to 36274 incl.	47546 to 47552 incl.
36298 to 36304 incl.	47646 to 47652 incl.
36328 to 36334 incl.	47746 to 47752 incl.
36358 to 36364 incl.	47846 to 47852 incl.
36388 to 36394 incl.	47946 to 47952 incl.
36418 to 36424 incl.	48046 to 48052 incl.
36448 to 36454 incl.	48146 to 48152 incl.
36478 to 36484 incl.	48246 to 48252 incl.
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36718 to 36724 incl.	49046 to 49052 incl.
36748 to 36754 incl.	49146 to 49152 incl.
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36898 to 36904 incl.	49646 to 49652 incl.
36928 to 36934 incl.	49746 to 49752 incl.
36958 to 36964 incl.	49846 to 49852 incl.
36988 to 36994 incl.	49946 to 49952 incl.
37018 to 37024 incl.	50046 to 50052 incl.

Luxembourg, November 29, 1989  
The Fiscal Agent  
**KREDIETBANK**  
S.A. LUXEMBOURGEOISE

## GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	div (p)	% P/E
343 295	Am. Bvt. Ind. Ordinary	336	0	10.3	3.1 9.1
38 25	Armstrong and Ribbles	25	0	0	0
210 149	Bardonia Group	150.00	-2	4.5	2.7 15.3
125 102	Bardonia Group Co Prof (SD)	103	0	6.7	6.5
123 75	Bay Technology	75	0	5.9	7.9 6.6
110 103	Bentall Corp. Prof	103	0	11.0	10.7
104 100	Brentbury 1/4% Hdr C.C.R.P.	103	0	0	0
305 295	CCJ Group Ordinary	305	0	14.7	4.8 3.8
176 168	CCJ Group 11% Conv. Prof	173	0	14.7	8.5
119 109	Carbo Plc (SD)	285	0	7.4	7.7 12.1
225 140	Carbo Plc (SD)	110	0	10.3	9.4
110 109	Carbo 7 1/2% Pref (SD)	110	0	0	0
7.5 1.5	Carbo 7 1/2% Pref (SD)	1.5000	0	0	0
5 0.75	Magnum Co Non-Voting A Ord	0.75000	0	0	0
145 95	Jackage Group (SD)	107	-1	5.6	3.3 12.4
222 261	Multi-Group BV (MansSD)	270	0	0	0
158 95	Robur-Jentax	154	0	10.0	6.5 5.6
467 365	Seraphim	370	0	14.7	5.1 9.8
350 270	Taylor & Collie	290	0	9.3	3.1 10.4
117 107	Taylor & Collie Co Prof	103	0	10.7	10.4
122 76	Taylor Holdings (USD)	76	-1	2.7	3.6 8.2
156 106	United Energy Corp Prof	156	0	0	0
375 350	Venerable Group Co. Ltd	375	0	22.0	6.1 9.4
390 320	W.S. Yates	320	0	16.2	5.1 26.7

Securities designated (SD) and (MansSD) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of ISE. These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities. \* These securities are dealt on a restricted basis. Further details available.

Granville & Co. Limited  
77 Mansell Street, London E1 6AF  
Telephone 01-488 1212  
Member of IFA

Granville Davies Limited  
77 Mansell Street, London E1 6AF  
Telephone 01-488 1212  
Member of IFA & TSA

## SA bank rises midway

By Jim Jones in Johannesburg

UBS HOLDINGS, the South African building society and banking group, lifted profits in the six months to September 30 1989 even though high interest rates cut demand for some of the group's financial products.

Although advances grew less rapidly than deposits, higher interest rates resulted in the first half's interest income rising to R1,020m (\$390.8m) from R888m in the corresponding period of 1988, while interest on deposits rose less rapidly to R948m from R967m.



## INTERNATIONAL COMPANIES AND FINANCE

A copy of this document, which comprises listing particulars relating to Fired Earth Tiles plc required by the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration in accordance with Section 143 of that Act.

Application has been made to the Council of The Stock Exchange for the Ordinary Share capital of the Company, issued and now being issued, to be admitted to the Official List. The Directors of Fired Earth Tiles plc, whose names are set out in full in this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Dealings in the Ordinary Shares of the Company are expected to commence on Monday, 4th December 1989.

## FIRED EARTH TILES plc

(Incorporated in England and Wales under the Companies Acts 1948 to 1981 - Registered No. 1733704)

Placing by  
**Stock Beech Securities Limited**  
of 1,300,000 Ordinary Shares of 10p each  
at 130p per share

### SHARE CAPITAL

Following the Placing

Authorised	Issued and to be issued (fully paid)
£700,000 divided into 7,000,000 Ordinary Shares of 10p each	£570,000

The new Ordinary Shares now being issued pursuant to the Placing will rank *pari passu* with those Ordinary Shares already in issue.

The principal activity of Fired Earth Tiles plc is the sale of traditional terracotta and ceramic floor and wall tiles.

Particulars relating to Fired Earth Tiles plc are available in the Extel Service. Copies of the particulars may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 4th December 1989 from the Company Announcements Office and up to and including 14th December 1989 from:

Fired Earth Tiles  
Middle Aston Oxfordshire OX5 3PX

Stock Beech Securities Ltd Spectrum Bond Street Bristol BS1 3DE	Stock Beech Securities Ltd Napier House 24-28 High Holborn London WC1V 6AZ
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29th November 1989

## Litton posts flat profits as sales slip to \$1.2bn

By Roderick Oram in New York

LITTON Industries, the Beverly Hills based industrial and oilfield services group, reported yesterday flat earnings for its fiscal first quarter.

Net profits for the three months ended October 31 were \$43.56m, or \$1.73 a share, against \$43.59m, or \$1.69, a year earlier. Sales slipped to \$1.2bn from \$1.23bn.

Higher operating profits from industrial systems, such as factory automation equipment, and industrial services, such as oil field evaluation, were offset by lower results from electronics and its shipbuilding business.

First quarter sales of electronics fell to \$488.7m from \$553.3m, reflecting the virtual completion of a Saudi Arabian contract.

Operating profits fell to \$41.6m from \$43.1m. Industrial systems and services had operating profits of \$93.3m against \$32.2m on sales of \$482.5m, compared with \$41.3m. Marine operations reported operating profits of \$31.1m, against \$33.1m, on sales of \$272.9m, down from \$286.4m a year earlier.

Analysts are looking for only a modest profit increase this year of around 10 per cent from last year's \$6.23 per share. Litton should stand up well to defence spending cuts.

Its shipbuilding programmes are long-term and the military's needs for electronics equipment will remain strong. In the industrial sector, improving results from oilfield services should offset short-term weakness expected later this year in factory automation.

## New England bank warns of loss for last quarter

By Anatole Kalitsky in New York

BANK OF New England, the 16th largest US bank holding company and a leading lender in the troubled New England land market, said yesterday it would report a "substantial" loss in the fourth quarter because it needed big additions to its loan loss reserves.

The bank also announced an agreement to sell most of its leasing operations to Bank of Tokyo, which would make about \$110m.

Despite the projected loss in the next quarter, the BNE board voted to maintain the quarterly dividend of 34 cents a share established in the middle of last year.

BNE's share price was unchanged at \$14 in active trading yesterday morning. The shares have fallen more

than 60 per cent from their peak of \$39½ in mid-1986, at the height of the industrial and financial boom in Massachusetts and surrounding states. Two months ago the stock was worth \$23.

Mr Walter Connolly, the bank's chairman, said that the substantial reserve additions would be required because of the sluggish New England economy and the "very soft" real estate market. The bank was still completing its credit evaluations and it was not yet possible to quantify the size of the new reserves.

He added that the sale of the leasing businesses was part of the strategic restructuring announced by BNE this year. This aimed to focus its resources on core banking

activities in the states of Massachusetts, Connecticut, Maine and Rhode Island. Leasing had ceased to be attractive because of recent changes in the tax laws and because 80 per cent of the company's leasing business came from outside New England, he said.

Under the deal announced yesterday, Bank of Tokyo will acquire all the operations of BNE's New England Merchant Leasing subsidiary, as well as about \$500m worth of lease contracts. Bank of Tokyo will also act as an agent in servicing the remaining film of leasing assets that BNE retains.

BNE did not disclose the financial terms of the deal, except to say that Bank of Tokyo would pay a "premium of approximately \$100m."

## Banks lend Saudis £2bn to cover arms deal

By Victor Mallet

A PROPOSED bank loan worth £2bn (\$3.1bn) to cover a short-fall in Saudi payments for British defence equipment will have the Kingdom of Saudi Arabia as the effective borrower, bankers and government officials said in London yesterday.

However, because of Saudi Arabia's sensitivity about foreign debt, the immediate borrower is likely to be a special entity established for the duration of the loan.

About a quarter of the loan - probably denominated in dollars and repaid in four years - is expected to be available from Saudi banks and institutions, with most of the rest from British banks.

The two Governments and the banks attempting to arrange the lending for the UK-Saudi Al-Yamamah defence deal have disclosed few details, but bankers believe that the equivalent of £1bn will be covered by the Export Credits Guarantee Department.

Saudi International Bank, 50 per cent owned by the Saudi Arabian Monetary Agency (central bank) and five per cent by National Westminster Bank, is thought to have a leading role in the arrangements. It was involved in an equally secretive deal two years ago which is said to have raised \$1.3bn to plug a previous funding gap faced by Al-Yamamah contractors.

The cash shortfalls have arisen as the cost of British services and aircraft such as the Tornados have exceeded the value of Saudi payments, which come in the form of 490,000 barrels of oil a day.

## JWT wins back Goodyear Tire

By Alice Rawsthorn

J. WALTER THOMPSON, one of the oldest established advertising agencies in the world, celebrating its 125th birthday by winning back the part of the \$50m advertising account for Goodyear Tire and Rubber in the US, which it lost two years ago.

JWT handled Goodyear's US advertising in the mid-1980s. But it lost the main part of the account in 1987 shortly after its acquisition by the WPP Group, the ambitious UK marketing company headed by Mr Martin Sorrell.

Goodyear had just emerged from a bitter battle, against a \$3.5m hostile bid from Sir James Goldsmith, the flamboyant Anglo-French financier who has since turned his attention to a new target, BAT, the UK conglomerate.

Sir James was repulsed, but at enormous expense to the company. Goodyear took on huge borrowings to buy back his shares. Sir James, or "the English knight in shining junk bonds" as he was called, and his associates pocketed a profit of around \$93m.

Goodyear was left to scrap its diversification plans, slash capital expenditure, sell assets and close down production plants.

Mr Robert Mercer, Goodyear's chairman, emerged with an antipathy to hostile bids for US companies by foreigners in particular.

When WPP made its bid for JWT two years ago, Goodyear lost little time in announcing it would withdraw its account if the agency passed into foreign

hands. Goodyear then said it would "not be comfortable" working with an agency controlled outside the US.

WPP won its fight for JWT. Goodyear only gave the mainstream US tyre account to another agency, Young & Rubicam, although JWT was allowed to keep the account for performance tyres.

Things have since changed. Goodyear now has a new chairman. JWT has emerged from the management shuffles and reshuffles that followed WPP's takeover, and the \$45bn international tyre industry has become more competitive.

One of Goodyear's responses has been to reassess its US advertising strategy for the 1990s. It asked both its agencies to pitch for the account. JWT won.

## Canadian packaging sector faces reshape

By Robert Gibbens in Montreal

THE FRAGMENTED Canadian packaging industry is starting to be rationalised as protective tariffs decline to zero over the next nine years under the Canada-US free trade agreement.

The rationalisation will leave fewer players based in Canada and operating on a North American scale... but they should be more competitive.

For example, CCL Industries last week sold its Continental Can Canada beer and soft drinks manufacturing subsidiary to the US Crown Cork and Seal Company of Philadelphia for \$390m. The deal included CCL receiving 8.8 per cent of Crown Cork.

CCL has about half the Canadian market for aluminium and steel drinks cans. But as free trade arrives, the market becomes North American, reducing that 50 per cent share to only 3 per cent.

Crown Cork may shut down some of Continental Can's 11 plants north of the border as part of its rationalisation. The terms disappointed the market, mainly because CCL cannot use equity accounting for the Crown Cork holding, valued at US\$154m. Also, Crown Cork does not pay dividends. Therefore, CCL's earnings

will not benefit directly from the deal, and will decline nearly 50 per cent with the loss of Continental Can Canada income.

For the first nine months of this year CCL earned C\$28.1m (US\$24m) or 25 cents a share, on total sales of C\$966m.

However, CCL says it will be able to concentrate on its profitable custom packaging products business in Canada and the US.

Mr David Culver, who retired this spring as chairman of Alcan Aluminium, and several business leaders are forming a merchant bank to develop investment opportunities stemming from free trade between Canada and the US.

Mr Culver led the business campaign for free trade up to the 1988 federal election.

CAI Capital, as the new bank will be known, will be based in Montreal and will operate in Canada and the US, concentrating on finance, mergers, acquisitions and divestitures.

Apart from Mr Culver, the CAI board will include Pierre Lortie, former chief executive of Provigo; Mr Jean de Grandpre, retired chairman of BCE; and Mr Rowland Fraser, retired chairman of the Royal Bank of Canada.

## Georgia-Pacific will seek to oust Nekoosa directors

GEORGIA-PACIFIC, the US lumber producer, plans to seek shareholder support for a special meeting so that investors in Great Northern Nekoosa, the paper producer fighting a bid from the Atlanta company, can vote on the removal of Great Northern's directors, agencies report.

Georgia-Pacific says Great Northern must call the special meeting to more than 60 days after it receives demands from holders of one third of its outstanding shares.

The Atlanta-based company says it will start soliciting demands as soon as documents filed with the Securities and Exchange Commission are available for distribution.

Georgia-Pacific also plans to ask the Federal District Court in Maine to force Great Northern Nekoosa into holding a special shareholders' meeting within 30 days instead of on March 20, as scheduled by

Nekoosa. At that meeting, Georgia-Pacific says, shareholders would consider Great Northern's "poison pill" rights plan and Georgia-Pacific's \$3.47bn, \$65-a-share, offer for Great Northern - raised from the initial bid of \$3.2bn, or \$58 a share.

If the offer is approved at that meeting, Georgia-Pacific says it would redeem Great Northern's poison pill on completion of its offer, subject to conditions.

Georgia says it also asked the court to order Great Northern to disclose in its SEC filing whether it is undertaking "any negotiations that would alter the financial structure of the current company or infringe upon the shareholders' opportunity to vote and consider Georgia-Pacific's offer." It also wants the court to require Great Northern to give 72 hours' notice before entering into any such agreement.

## Lone Star to restructure

LONE STAR Industries, the biggest US producer of cement, concrete, sand and gravel, will record a \$250m net charge against fourth-quarter income, for a planned restructuring programme, agencies report.

In the fourth quarter of 1989, Lone Star reported net income of \$41.6m or \$2.44 a share, on sales of \$82.1m.

The company said the charge would be the effect of writing down the assets and providing for anticipated losses

through their expected sale dates.

It also included a provision for taxes relating to the planned repatriation of earnings and capital from South America - either through dividend distributions or the sale of operations in the area. It said that it would also sell some marginal businesses including several in the southwest of the US, interests in joint ventures, an investment in preferred stock and surplus land.



ABSOLUT

SPLIT.



INTERNATIONAL CAPITAL MARKETS

S Korean bank raises its foreign profile

By Maggie Ford in Seoul

KOREA Development Bank (KDB), the financing body for the South Korean economic miracle, is expanding internationally to continue its support for the country's companies as they enter the global market.

The KDB has been known abroad for years through its participation in the syndicated loan market when South Korea was a large borrower. The country's remaining foreign debt, which reached a high of \$45bn in 1985, is expected to be overtaken by its foreign assets in the next year.

The bank is therefore diversifying its activities to back up the government and private-sector strategy of internationalisation and specialisation of South Korean industry. The wholly state-owned bank, which supplied 60 per cent of all loans for equipment to South Korea companies in 1979, has now reduced that figure to 37 per cent.

The bank is also starting to get involved in underwriting in the bond market through its London subsidiary, with a target of 30 cases by the end of the year. Bonds have not been restricted to Korean issues and include Japanese, Australian and Indian bonds.

In the syndicated loan market, the bank has diversified away from South Korean projects and has lead-managed several loans for such clients as the National Bank of Hungary, the Papua New Guinea Government and the Steel Authority of India. The KDB was last week chosen to co-lead manage a \$400m sovereign loan for Indonesia.

The change in the bank's style, which is also being followed by a number of other Korean banks, follows the increasing outward-looking attitude of South Korean companies, whose foreign investment jumped 50 per cent in the first nine months of this year to \$389m.

As these companies move their high-growth and low-tech subsidiaries to south-east Asia, the banks are gaining experience in these countries. At the same time, companies wanting to invest in Europe in advance of the single market in 1992 are in need of financing help.

Mr Y.K. Chung, the KDB governor, anticipates big changes in the bank's role over the next few years. Domestically, the bank will continue to engage in securities transactions, it will be able to do securities business through its overseas subsidiaries in London, New York, Hong Kong and Singapore.

It also proposes to offer international services to its domestic clients on project financing, mergers and acquisitions, Euro-market fund-raising and foreign securities management. It plans to issue foreign currency-denominated industrial finance bonds.

As a manager of the country's foreign reserves, which have now reached \$17bn and are expected to continue to rise in line with the surplus on the current account, the KDB is likely to be flush with funds for some time.

Its success as the financier for "Korea Inc" is already well known in the banking world. The opening this month of its first branch in London suggests that Korean companies will not be far behind.

Fed policy leaves market cautious and confused

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds were narrowly mixed at yesterday's mid-session as the market settled into a cautious mood to see where exactly US Federal Reserve policy lies.

The benchmark long bond was quoted a point lower for a yield of 7.90 per cent while short-dated maturities were generally unchanged.

Another reason for caution yesterday, particularly at the short end of the yield curve, was the scheduled sale of \$10bn in two-year notes.

Bond economists at Drexel Burnham Lambert said yesterday that "the events of the past few days of Fed activity have been some of the most perplexing and misleading that we have ever seen in our experience as Fedwatchers."

They refer to last Wednesday's aggressive addition of reserves, which pushed the Fed funds rate down to a low of 8 1/2 per cent and was interpreted as an easing move to 8 1/2 per cent.

This was followed by draining operations on Friday and Monday.

However, the Fed did two-day system repurchase agreements which were held to have no policy meaning.

Fed funds were quoted a touch on the high side at 9 1/2 per cent at mid-session.

The shaky consensus in the market now is that the Fed did not ease to 8 1/2 per cent last week and that the target is still at 8 1/2 per cent.

However, this debate may soon become a moot point as bond economists generally believe that the Fed will ease policy over the next few weeks in response to more weak economic data.

D-Mark, guilder, French

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Bid, Offer, Price, Change, Yield, Week, Month. Rows include UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia.

London closing, \*denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

franc and sterling bonds all opened on average 1/4 point lower yesterday, and closed down about 1/2.

This was in reaction to the Fed's draining of liquidity from the US money market, despite sterling's overnight recovery on the foreign exchanges.

The market closed still smarting from Monday's sell-off.

The best barometer of the market, the long gilt future, closed on Monday at 90.27, and dropped a further 1/4 yesterday.

The Sydney Futures Exchange said yesterday it would launch its new computerised trading system, Sycam, tomorrow, the day when the London International Financial Futures Exchange is also scheduled to launch its new automated trading product.

The exchange said it reckoned the system will extend its regular floor trading session. Initially, only 10-year bond futures will be available.

In the UK, gilts opened about 4 ticks lower and closed 1/2 point down, despite sterling's overnight recovery on the foreign exchanges.

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GOVERNMENT BONDS

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D-Mark, guilder, French

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns: Issued, Bid, Offer, Day, Week, Yield. Rows include US Dollar, UK Sterling, Swiss Franc, etc.

Average price change. On day 0 on week +0.4

FLORIN RATE

Alitalia & Lufthansa 94.00

Bank of Greece 99.00

Bank of Italy 99.00

Bank of Luxembourg 99.00

Bank of Netherlands 99.00

Bank of Portugal 99.00

Bank of Spain 99.00

Bank of Sweden 99.00

Bank of Switzerland 99.00

Bank of the Netherlands 99.00

Bank of Belgium 99.00

Bank of Denmark 99.00

Bank of France 99.00

Bank of Germany 99.00

Bank of Greece 99.00

Bank of Italy 99.00

Bank of Luxembourg 99.00

Bank of Netherlands 99.00

Bank of Portugal 99.00

Bank of Spain 99.00

Bank of Sweden 99.00

Bank of Switzerland 99.00

Bank of the Netherlands 99.00

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Bank of Italy 99.00

Bank of Luxembourg 99.00

Bank of Netherlands 99.00

Bank of Portugal 99.00

Bank of Spain 99.00

Bank of Sweden 99.00

Bank of Switzerland 99.00

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(Incorporated with limited liability under the laws of the Cayman Islands)

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Placing of

1,500,000 units

each consisting of

five shares and one warrant

at

US\$ 50 per unit

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Co-Managers:

Baring Securities Limited

Daiwa Europe Limited

Merrill Lynch International Limited

Dongsuh Securities Co., Ltd

Initiated by:

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Floating Rate Guaranteed Notes due 1993

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

BANCA NAZIONALE DEL LAVORO

(Incorporated as an Istituto di Credito di Diritto Pubblico in the Republic of Italy)

Notice is hereby given that the Rate of Interest for the Interest Period from 29th November, 1989 to 29th May, 1990 is 5.65% per annum.

Interest payable on 29th May, 1990 will amount to €2,801,781 per €100,000,000 principal amount of the Notes.

Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

BARCLAYS UNI-AMERICAN GROWTH TRUST

BARCLAYS UNIBOND TRUST

Notice is hereby given that ballots of Shareholders of the above Trusts will be held on 4th January 1990 on Schemes of Amalgamation being proposed by the Managers of the Trusts.

The proposals made follow a detailed review by the Managers of current investor requirements and are designed to enable the Managers to establish a more appropriate long-term structure for your Fund. The Managers believe that this will maximise the Funds benefits to you by increasing the size and improving the performance of the Fund through increased marketability.

Under the Scheme of Amalgamation being proposed, shares in the Trusts will, in effect, be exchanged for shares of separate classes each with equivalent value to those being exchanged in a new Company, Barclays Investment Funds (Luxembourg).

Full details of the proposed Schemes of Amalgamation for each Trust, together with a voting paper and further information for bearer shareholders, may be obtained from the offices of the Trustees and Paying Agents of the Trusts on 12th December 1989. To obtain these details Shareholders must deposit the bearer certificates relating to their Shareholdings in each Trust at one of the following addresses, by the 8th December 1989. The certificates so lodged should be accompanied by a written statement of the Shareholder's name and address and must remain deposited until after the despatch of voting papers on 12th December 1989.

Shareholders should ensure that they obtain a receipt for the bearer certificates.

Barclays International Ltd., London, Luxembourg, etc.

Barclays Bank S.A., Luxembourg, etc.

Barclays Bank PLC, London, etc.

Barclays Bank S.A., Luxembourg, etc.

Barclays Bank PLC, London, etc.

Barclays Bank S.A., Luxembourg, etc.

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Barclays Bank S.A., Luxembourg, etc.

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INTERNATIONAL CAPITAL MARKETS

Fund management companies face tough Japan debut

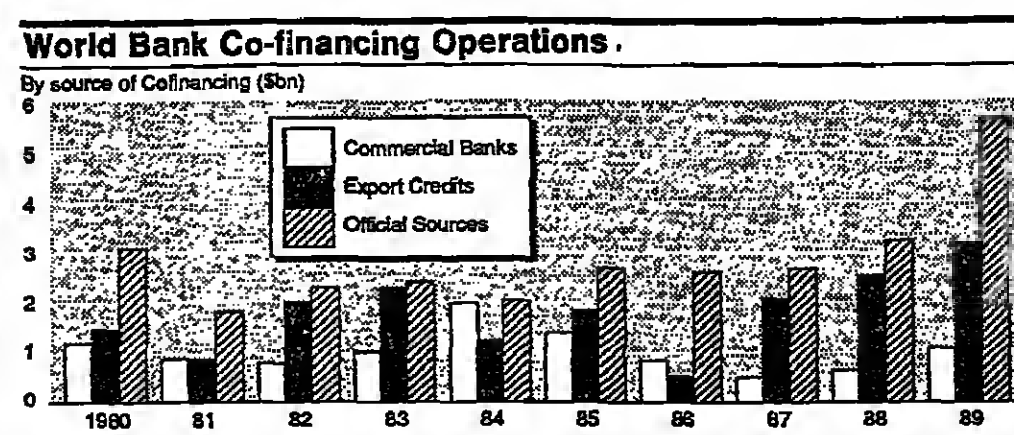
By Michio Nakamoto in Tokyo

FOREIGN fund management companies in Japan are expected to be among the first new entrants into the country's huge investment trust business in over two decades...

World Bank makes co-financing flexible

Stephen Fidler on the organisation's plans to partially guarantee bond issues

THE FIRST bond issues carrying partial guarantees from the World Bank should emerge in the next month or so under a plan which significantly expands the scope of the World Bank's co-financing programme.



increased concern about lending to developing countries as it continued fall-out from the Third World debt crisis. It was compounded by the growth in importance of securities markets as a source of funds.

Mr David Bock, director of co-financing and financial advisory services, says there is a sharp contrast between providing guarantees to banks trying to reduce their exposure to problem debtor countries, thereby transferring risk to the public from the private sector, and giving partial guarantees to credit-worthy borrowers which are meant to facilitate and enhance the terms on new commercial lending.

Mr Bock also has resisted strongly pressure that it should guarantee new loans to rescheduling countries. The only eligible country in Latin America is Colombia.

contribution for every World Bank dollar committed. The Bank is sensitive to the possibility that its intervention may not always be desirable. For example, it may be cheaper to use aid funds if available. Or the Bank's participation might raise questions in the minds of the borrower's creditors about the borrower's credit standing...

Tokyo may license US brokers

JAPAN'S Ministry of Finance could grant bank branch licenses by next spring to US brokerages that have met legal requirements, Reuters reported yesterday.

European Investment Bank launches £200m bulldog

THE EUROPEAN Investment Bank yesterday braved the sterling foreign bond market, as doubts about US monetary policy pushed international bond markets generally into retreat, Stephen Fidler writes.

issue, with the government bond market so weak, and worries about sterling seem likely to have frightened off most foreign investors. UK institutions were said to be taking the

paper, but not in such large amounts as usual. BZW reported some buying because the absolute yield of 10.57 per cent was attractive to some investors. There is, it said, a sharp drop in the sterling yield curve for maturities of 15 to 20

years. BZW was generally thought to have been left with significant amounts on its books last night. Because it was a bought deal, BZW was not legally compelled to declare its unsold position.

Abbey National, the UK financial services group, bought its second issue in the Swiss market this year. The SF75m, four-year issue carried a 6% per cent coupon and a 101 issue price.

NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for Issuer, Amount, Coupon, Price, Maturity, Fees, and Book runner.

INTERNATIONAL BONDS

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INTERNATIONAL BONDS

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LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Table showing rises and falls in various market indices like British Funds, Industrials, etc.

LONDON RECENT ISSUES

Table listing recent bond issues with columns for Issue, Price, Yield, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue, Price, Yield, etc.

RIGHTS OFFERS

Table listing rights offers with columns for Issue, Price, Yield, etc.

TRADITIONAL OPTIONS

Table listing traditional options with columns for Issue, Price, Yield, etc.

LONDON TRADED OPTIONS

Large table listing London traded options with columns for Calls, Puts, etc.

MILTON KEYNES

The Financial Times proposes to publish this survey on 16TH JANUARY 1990

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing FT-Actuaries Share Indices with columns for Index, Change, etc.

FIXED INTEREST

Table showing fixed interest rates with columns for Index, Change, etc.

Opening index 2297.7, 10 am 2244.2, 11 am 2246.5, Noon 2243.3, 1.30 pm 2244.3, 2 pm 2243.6, 3 pm 2243.3, 4 pm 2243.6, 4.15 pm 2243.6, 5 pm 2243.6, 5.15 pm 2243.6, 5.30 pm 2243.6, 5.45 pm 2243.6, 6 pm 2243.6, 6.15 pm 2243.6, 6.30 pm 2243.6, 6.45 pm 2243.6, 7 pm 2243.6, 7.15 pm 2243.6, 7.30 pm 2243.6, 7.45 pm 2243.6, 8 pm 2243.6, 8.15 pm 2243.6, 8.30 pm 2243.6, 8.45 pm 2243.6, 9 pm 2243.6, 9.15 pm 2243.6, 9.30 pm 2243.6, 9.45 pm 2243.6, 10 pm 2243.6, 10.15 pm 2243.6, 10.30 pm 2243.6, 10.45 pm 2243.6, 11 pm 2243.6, 11.15 pm 2243.6, 11.30 pm 2243.6, 11.45 pm 2243.6, 12 pm 2243.6, 12.15 pm 2243.6, 12.30 pm 2243.6, 12.45 pm 2243.6, 1 pm 2243.6, 1.15 pm 2243.6, 1.30 pm 2243.6, 1.45 pm 2243.6, 2 pm 2243.6, 2.15 pm 2243.6, 2.30 pm 2243.6, 2.45 pm 2243.6, 3 pm 2243.6, 3.15 pm 2243.6, 3.30 pm 2243.6, 3.45 pm 2243.6, 4 pm 2243.6, 4.15 pm 2243.6, 4.30 pm 2243.6, 4.45 pm 2243.6, 5 pm 2243.6, 5.15 pm 2243.6, 5.30 pm 2243.6, 5.45 pm 2243.6, 6 pm 2243.6, 6.15 pm 2243.6, 6.30 pm 2243.6, 6.45 pm 2243.6, 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UK COMPANY NEWS

Benefits begin to flow from Presto conversion programme  
**Argyll advances by 34% to £112m**

By Maggie Urry

ARGYLL, the Safeway, Presto and Lo-Cost food retailer, met best expectations with its interim results yesterday. Pre-tax profits after exceptional debits relating to its programme of converting Presto to Safeway stores, rose by 34.1 per cent to £111.6m. Exceptional items were £5.8m (£18.8m). The shares rose by 3 1/2p to 256p.

Mr Alistair Grant, chairman and chief executive, said that the food retail market had been largely unaffected by pressures on consumer spending.

Group sales in the 28 weeks to October 14 rose 11.5 per cent to £2.1bn. Operating profits were 17.1 per cent higher at £104.7m, and operating margins rose from 4.9 per cent to 5.2 per cent.

Mr Grant said the group acquired Safeway in February 1987 and was now nearing the

end of the first phase of extracting initial benefits from converting its larger Presto stores to the Safeway format.

However, he expected further benefits as Safeway concentrated in the 1990s on investing in better stores, information technology and systems, new product development and consumer marketing.

The group would also begin to see benefits from the European Retail Alliance, formed between Argyll and continental food retailers Ahold of the Netherlands and Casino of France. Mr Grant said tangible benefits would begin to appear in the next financial year and could represent 2.5 per cent of sales in the following financial year, mainly from shared efficiencies, such as joint buying.

Mr Grant also said that Argyll had decided not to convert 100 of its Presto stores in

Scotland and the north-east of England to the Safeway and Lo-Cost formats. He said that these stores were generally too small to be successful Safeway shops, and that the Presto chain name was a good one in these areas.

These Presto shops could be serviced from the Safeway distribution network and sell Safeway own-label products. Although the group would forgo the extra margin which would have been obtained by converting the larger stores, this would be more than made up by the savings of capital costs which would have been necessary to convert the stores and build a new distribution depot.

Mr Grant stressed that even without converting these Presto stores, the proportion of Safeway's sales area in Scotland and the north-east was higher than the percentage of

the UK population living in those areas.

During the half-year, Safeway's sales increased by 37 per cent to £1.4bn, with 32 per cent of the gain coming from new stores and converted Presto stores. The rest of the improvement came from price inflation with no volume growth in like for like stores.

Argyll's interest receivable figure rose from £10.8m to £13.9m. The group had an extraordinary gain of £3.9m from the increase in the price paid to Distillers shareholders by Guinness following a Take-over Panel ruling. This also generated interest of £2.1m, included in interest receivable.

Group earnings per share after exceptional items and an actual tax charge rose 37 per cent to 8.5p, and the interim dividend is being lifted by 16.7 per cent to 2.45p. See Lex.

**Leeds Grp profits fall £1.4m to £3.4m**

PROFITS of Leeds Group, the textile processor, continued to fall in the second six months of the 1988-89 year and for the full 12 months to end-September emerged £1.4m lower at £3.4m pre-tax.

Turnover fell from £29.1m to £27.53m and after tax of £1.14m (£1.7m) earnings worked through 9.2p lower at 22.6p.

The dividend, however, is being stepped up by 6.5p to 8.5p via a final of 5.5p (5.5p).

Mr Robert Wade, the chairman, also announced that the group had entered into a conditional agreement to acquire the Langholm Dyeing Co and PD Yarns from EWM Investments and the Edinburgh Woolen Mill for an initial £2.9m.

**Strong demand and higher prices lift Shanks & McEwan**

By Vanessa Houlder

STRONG DEMAND and increased prices helped Shanks & McEwan to increase its pre-tax profits by 27.4 per cent from £8.5m to £10.8m for the six months to September 30. Turnover increased by 43.9 per cent from £40.3m to £58.5m.

Construction services increased its turnover by 31 per cent compared with the 56 per cent increase in waste disposal turnover.

During the period capital expenditure totalled £13.3m of which £4.5m was spent on the acquisition of five businesses involved in waste collection, landfill and transfer stations. Its overdraft in September was £300,000.

The company said its goals were to acquire more quality landfill sites, increase its use

of technology, move towards specialist waste markets and to expand into major regional centres of population. Shanks existing operations are mainly near Glasgow.

The construction division which is focused on road construction, water and sewage, had a good year and is expected to remain buoyant, helped by government plans for expenditure on the infrastructure.

The tax charge, which previously was reduced by capital allowances on expenditure, was increased from 30 per cent to 34 per cent.

No further major increase is expected.

Earnings per share increased by 20 per cent from 21.9p to 26.3p. Dividends rose by 21.4

per cent to 8.5p (7.0p).

**COMMENT**

Shanks & McEwan bills itself as the Rolls-Royce of waste disposal companies and as such, it expects nothing but benefits from the forthcoming Green Bill. It already meets exacting standards and so new legislation should merely serve to close down less reputable competitors, raise prices and give it access to local authority business. Its quality image also extends to its earnings which the company has pledged to grow at about 20 per cent per year. Shanks duly satisfied expectations yesterday and their shares went up from 1390p to 1413p. This puts the shares on a rating of 27 assuming it makes profits of £17.3m this year. Is this justified or does it still reflect the vestiges of green fever that reached a peak midway through the year? Supporters of the latter view can point to the shares 33 per cent fall from their giddy peak of £18 this summer and the large gap between the rating and the likely earnings growth. That said, waste management offers prospects of tremendous growth and given Shanks' pre-eminent position and the thin market in the shares they are at least a long-term hold.

**Continental Assets Trust seeks £17.8m via placing**

By Nikki Tait

CONTINENTAL ASSETS Trust, a small investment trust specialising in smaller companies and "alternative markets", yesterday announced plans to raise a further £17.8m after expenses.

This is the second specialist European trust to seek new money recently. F&C Euro-trust raised around £20m in September via a rights issue. Like the F&C fund, the Ivory & Sime-managed Continental Assets Trust has been trading at a premium to underlying net assets recently - a rare occurrence in the investment trust sector.

The fund-raising will be achieved by a conditional placing of new shares with warrants attached. Existing shareholders in the trust, however, are entitled to first refusal on the new shares under an open offer.

A total of 9.6m new shares and 1.92m warrants are being issued, in units comprising one share and one-fifth of a warrant. The price is 190p per unit, and the units are available in multiples of five.

Existing shareholders can

apply for 10 units for every 15 ordinary shares or 15 warrants held at present. European Asset Trust, also in the Ivory & Sime stable, holds a quarter of Continental's shares and has irrevocably agreed to take up its entitlement.

Continental Assets Trust says that fully-diluted net asset value per share stood at 170.35p on November 24. It adds, however, that the notional stockmarket value of the new units stood at 206.9p on the same date, suggesting that they are being offered at a discount of around 8.9 per cent.

The trust says that the money is being raised to take advantage of new opportunities in Europe. It points, in particular, to the greater possibilities in "alternative markets" such as the Dutch Parallel Market, the French "Second Marché" and the German Gessellter Market. It also notes that it does not have representation in the likes of Austria, Denmark, Finland, Sweden or Switzerland, but concedes that investment situations in some smaller countries can be difficult to find.

**BOARD MEETINGS**

The following companies have notified dates of board meetings to the Stock Exchange. Each meeting is a regular one held for the purpose of considering dividends.

Cloughly Nutrients	Dec. 12
Dolepak Foods	Jan. 17
Embassy Property	Dec. 6
General Electric	Dec. 5
In Shape	Dec. 7
MS Int'l	Dec. 7
Nov. 30	
Scottish & Newcastle	Dec. 11
Quintidine Research	Dec. 1
Sawyer & Wright	Dec. 13
Tames (John)	Dec. 1
Unic	Dec. 6
Woods	Dec. 11
Altrincham	Dec. 12
Guard Milk	Dec. 7
New Zealand Inv	Dec. 6

**PUTTING DATES**

C H Yendall	Dec. 15
Campbell & Armstrong	Dec. 6

**N American Trust asset value up 31%**

Northern American Trust, part of the Duxford stable of investment trusts, yesterday announced that net asset value per share rose by 30.6 per cent to 619.5p in the year to end-October. The final dividend is 3.5p, up from 4.85p in the previous year, and making a total of 7.5p (6.25p) for the year.

**Circaprint falls to £0.5m**

CIRCAPRINT HOLDINGS, the USM-quoted manufacturer of printed circuit boards, ran into losses in the second half of 1988-89.

After returning a pre-tax profit of £546,000 for the first six months to end-February, the outcome for the full year is a profit of £510,000, a drop of £65,000 on the previous year.

The board while confident of the medium and long term, warn that the results for the current year will be depressed. Turnover for the period was little changed at £14.22m (£14.06m) and after a tax credit of £190,000 (£407,000 charge) earnings per share are down from 15.7p to 13.3p. The dividend is unchanged at 2.4p.

**Fired Earth £7.4m placing on main market**

By Vanessa Houlder

FIRED EARTH TILES, a retailer of high quality hand made tiles is joining the main market in a placing that values it at £7.4m.

The company abandoned its original plan to join the Unlisted Securities Market following the Stock Exchange's proposal to lower the entry requirements of the market.

The company imports and sells hand made tiles costing up to £100 per square yard. It has recently introduced a new range of machine made tiles that cost between £10 and £20

per square yard. The initial product range of terracotta floor tiles has been enlarged to include alate, stoneware and ceramic wall and floor tiles and now comprises 45 lines of tiles.

Stock Beech Securities is placing 700,000 shares at 130p. Dealings are expected to start on December 4.

The company has earmarked £1m for new offices and warehouses. Fired Earth made pre-tax profits of £747,000 (£307,000 in 1988) is forecasting pre-tax profits of £950,000 for 1989.

**Rock chief to quit in the New Year**

By John Riddling

Mr Oswald Dockery announced yesterday that he was resigning as chairman of Rock, the London-based component distribution group which has recently suffered from shareholder dissent.

Mr Dockery, who is being replaced by Mr John Carr, formerly chairman of Cowan de Groot, an importing and distribution company, and Windsor, an insurance broking company, said that his decision was based on the best interests of shareholders.

Mr Dockery said that "the first crucial stage in restructuring Rock has been accomplished." He added that there was a need for the shareholder base to be firmer and that he believed Mr Carr would bring institutional support.

Mr Dockery will leave the board in January but will retain his stake of about 2 per cent in the company.

**28.8% of Caird rights taken up**

By Vanessa Houlder

Caird Group yesterday announced that 28.8 per cent of its £24.5m rights issue had been taken up.

The issue, which took the form of convertible preference shares was made on a two-for-one basis.

The purpose of the rights issue was to eliminate Caird's borrowings of £24m on which it paid interest at 16.5 per cent.

**Cupid profit up 19%**

Cupid, the bridalwear and nursery products group which moved up from the third market to the USM last month with a placing, reported an 18.7 per cent increase from £171,000 to £203,000 in pre-tax profits for the half year to September 30.

Turnover in the period jumped 65 per cent to £2.9m (£1.7m). Earnings per share fell to 5.78p (8.34p) after tax of £69,000 (£80,000).

**DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	Corres - pending dividend	Total for year	Total last year
Allied-Lyons	5.65	Feb 28	5	-	15
Argyll Group	2.45	Feb 26	2.1	-	6.2
Century Oils	1.75	-	1.75	-	8.8
Chemomy Int'l	3.5p	-	2.6	-	2.4
Circaprint	2.4	Jan 29	2.4	-	1.5
Elga Group	0.5	Feb 16	0.4	-	18.5
Fairline Boats	12	Jan 26	9.5	-	11.75
Global Groups	nil	-	1.75	-	3.0
Hambros	3.6	Jan 15	5.3	-	8
Leeds Group	7	-	6	-	10
Radio City 5	3	Jan 30	2.5	-	4.5
SAC Int'l 5	5.4	-	3	-	7.5
Sanderson Elec 5	8.5	-	1.6	-	7
Shanks & McEwan	1.5	Jan 18	1.8	-	4.8
Southern 5	0.21	-	0.175	-	0.575
Verson Int'l	42	Jan 17	3	-	8
Young (H) Hedges	-	-	-	-	4.4

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market. †† for 14 months.

**TSB Trust Company Limited**  
**DECISION**  
Newport 1987

**PROJECT:** Relocation and expansion of General Insurance Division.  
**CRITERIA:** Up to 300,000 sq. ft. purpose built offices, 2,000 people. Ease of communication. Scope for expansion.

**DC Gardner Group plc**  
International Banking Consultants  
**DECISION**  
Cardiff 1988

**PROJECT:** Establish new office to handle financial and human resource training.  
**CRITERIA:** Good infrastructure. Fast communications with the City. High quality, inexpensive offices. Enthusiastic and adaptable workforce. Expanding financial centre.

**N M Rothschild & Sons Limited**  
**DECISION**  
Cardiff 1988

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**CRITERIA:** Fast growing local economy. Banking and corporate finance opportunities.

**NPI**  
NATIONAL PROVIDENT INSTITUTION  
**DECISION**  
Cardiff 1988

**PROJECT:** Staffing and accommodation needs of a leading life insurance business with substantial growth plans.  
**CRITERIA:** 77,000 sq. ft. offices. City centre site. 500 people. Quality environment. Strong local support. Communications.

**BNP**  
**BNP Mortgages**  
**DECISION**  
Cardiff 1988

**PROJECT:** Expansion by the residential mortgages arm of BNP.  
**CRITERIA:** Dedicated local staff. Excellent professional infrastructure. High educational standards. Quality of Life.



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## UK COMPANY NEWS

## All divisions show 'healthy increase' in profits Allied-Lyons 14% ahead at £260m

By Philip Rawlstone

ALLIED-LYONS, the food and drinks group, yesterday reported pre-tax profits of £260m, up 13.5 per cent from £229m, for the 26 weeks ended September 16.

The company, which has made an agreed £207m offer for Dunkin' Donuts, the US coffee and doughnuts chain, confirmed that it was also bidding for the wines and spirits business of Whitbread, the rival UK brewer.

Allied's half-year results, on increased turnover of £2,450m (£2,277m), were in line with market forecasts. Fully diluted earnings per share rose from 19p to 20.9p. The interim dividend is lifted 13 per cent to 5.65p (5p).

Sir Derrick Holden-Brown, chairman, said that all divisions had shown "a healthy increase" in profits during the first half. "There is no doubt that in the remainder of the year our business in the UK will be affected by the current squeeze on consumer spending," he added, "but we expect further satisfactory profits growth...and we remain confident of the long term outlook."

Allied's shares fell 13p but



Sir Derrick Holden-Brown, chairman, (left) and Richard Martin, vice-chairman and chief executive

recovered to close 5p down at 467p. Analysts are forecasting full year profits of £560m and a prospective p/e rating of 10.1. Trading profits on beer and retailing, boosted by the hot summer, increased by 14.7 per cent to £133m. Castlemaine, Lowenbrau and Swan lagers all increased sales volume substantially, and Tetley Bitter consolidated its position as the

were still a long way behind the European and North American markets, he said. "But for the future we see the Japanese market providing the most rapid sales growth and within that region we expect to be the fastest growing major wines and spirits company over the next five years."

Allied now owns or controls distribution for 88 per cent of its turnover worldwide. Trading profits of the food division rose 9.3 per cent to £47m, the main contributor being beverages, with Tetley the world's number two tea brand, and European bakery.

As part of the refocusing of the division, Embassy Hotels and J L Catering have been transferred to the beer and retailing division where the businesses are being further reviewed, and Normand, a motor vehicle business, is being sold.

Corporate overheads are also being tackled by the closure of the regional US headquarters as well as that of Cadby Hall, the London headquarters. See Lex

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### Offer values Nu-Swift's Sicli holding at FF299m

By Peter Berlin

THE LATEST proposed offer for the 84.5 per cent stake held by Nu-Swift, the fire extinguisher and office cleaning group, in Compagnie Centrale Sicli, the French fire protection company, values the holding at FF299m (£31.4m). Lower than the value put on it by the offer which collapsed earlier this month.

Rothschild & Cie Banque and Drexel, Burnham, Lambert have taken a call option to buy the stake in December at FF567 a share, a total of FF1,907m. The previous offer, from a consortium of Wasserstein Perella, Bankers Trust and LBO France, involved an initial cash payment of FF2,206m.

Nu-Swift said that the offer from the Rothschild consortium had been "floating about" in July when Nu-Swift had accepted the higher offer from the Wasserstein triumvirate.

The acquisition might involve a leveraged buyout. Nu-Swift said that there would be no problem delivering the 95 per cent of Sicli required under French law governing LBOs. Nu-Swift said the additional 6.5 per cent would be sold to the Rothschild consortium by companies controlled by Mr Jacques Murray, chairman of Nu-Swift, and business associates of his.

Baron David de Rothschild, senior partner with Rothschild, said that while Rothschild had been interested in acquiring the Sicli stake from the start, it had decided to take out an option rather than make an immediate offer because "there are large numbers involved, it is a complicated business and a couple of months have passed." Mr Rothschild said that the consortium had not decided yet what it would do with the stake if it bought it.

### Saatchi & Saatchi sells offshoot for \$5m

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled marketing group, has sold Cleveland Consulting, one of the management consultancies it put up for sale earlier this year, for a total of about \$5.24m (£3.32m) roughly the same price it paid for the business over two years ago.

Saatchi, which originally intended to become a leading player in the international consultancy field, put its consultancy division on the market in June. Initially it hoped to sell it as a single unit by the end of the year.

But Saatchi has found it difficult to find buyers for the consultancies. So far it has disposed of one business, Gamma International, which was sold to Groupe Andre of France for FF83m (£8.6m) earlier this autumn. Cleveland is the second consultancy sale to be announced. Saatchi has not yet sold any of the larger businesses.

Cleveland, which was bought for about \$5m in March 1987, has been sold to Computer Sciences Corporation. Saatchi has sold the company, which made a loss in its last financial year, for \$12.74m. But this will be offset by payments of up to \$7.5m from Saatchi.

Saatchi, once one of the stars of the London stockmarket, is now haunted by big speculation. Analysts anticipate a plunge in pre-tax profits from £138m last year to less than £60m when its results for the year to September 30 come out next Wednesday. There is also concern that the group could report a loss for the year after restructuring costs.

Saatchi's shares rose by 1p to 296p yesterday.

### Cayzer/Hiffe to buy IOW ferry from SeaCon for £107m

By Andrew Hill

TWO OF the UK's titled families - the Cayzers and the Hiffes - plan to buy Sealink's Isle of Wight ferry service for £107.5m from Sea Containers, which is fighting a \$1.02bn hostile bid.

The purchaser, Radiant Shipping Company, is owned by directors of the Yattendon Investment Trust, which holds the investments of the Hiffe family, headed by the second baron.

Caledonia Investments, the publicly-traded group controlled by Lord Cayzer's family, will subscribe for new shares in Radiant.

The Hiffes and Cayzers are already joint investors in British Air Transport Holdings, which owns the Air UK passenger airline.

The purchase would revive the Cayzers' past as shipping magnates, beginning in the 19th century when they founded Clan Line Steamers,

which grew into British & Commonwealth Shipping (now Holdings).

Sea Containers is selling the Isle of Wight ferry service as part of a \$1.1bn asset disposal programme, to fund a defensive \$70-a-share tender offer for its own equity. This would top the \$68-a-share bid from Tiphook, the UK container rental company, and Stena, the private Swedish shipping group.

Sea Containers also announced the \$57.5m sale and leaseback of the Harwich/Hook of Holland ferry St Nicholas to a subsidiary of Gotland Shipping. All the asset disposals require shareholder approval before they can go ahead.

Meanwhile, Tiphook's shares rose sharply from 415p to 434p following Monday's legal setback to the hostile Anglo-Swedish bid for Sea Containers. The possibility that the bid might now be withdrawn has appar-

ently dispelled worries about Tiphook's high level of borrowings.

Bermuda's chief justice, Sir James Astwood, will today consider Stena and Tiphook's attempt to extend an injunction preventing Sea Containers dealing in its own shares. If the pretors fail, Sea Containers could buy its own shares in the market, where they have risen to about \$64. In the meantime, the Bermuda-registered container and ferry group has given an undertaking not to disrupt the Stena/Tiphook bid.

Stena and Tiphook are still considering whether to appeal against Monday's ruling that Sea Containers earlier "poison pill" defence, and the purchase of its own shares, were legal. An appeal or a hearing of the full facts could drag the six-month-old bid on into the New Year, with both sides incurring heavy legal costs.

### Lossmaker Global gets reverse takeover from EIC

By Andrew Bolger

EIC, a private shipping services business based on Humberside, yesterday announced plans to reverse into Global Group, the troubled wholesaler and manufacturer of meat products.

Global announced a pre-tax loss of £2.6m in the year to May 31 on turnover of \$61.5m. Losses were increased to \$4.9m by extraordinary items arising from closure costs at two loss-making subsidiaries - Global France, a meat exporting company, and Hereward Foods, a supplier of frozen meat products. Global shares were suspended at 80p on the USM.

EIC is involved in stevedoring at four Humberside ports - Hull, Goole, Immingham and Grimsby - and says it has benefited from the abolition of the National Dock Labour Scheme. In the year to July 31, it made pre-tax profits of \$303,000 on turnover of \$6m.

The enlarged Global group will emerge from the acquisition by Global of EIC for an initial consideration of \$3m

new ordinary shares. Up to 10m additional new shares will be payable, depending on profits.

To reduce indebtedness of the enlarged group, Global is raising \$4.8m in expenses, by way of a placing of 20m new shares at 25p each. These shares have been placed with institutions by Beeson Gregory.

Joint chairmen of the enlarged Global Group will be Mr John McGroarty, chairman of EIC, and Mr Michael Shaffran, who became chairman of Global in June.

The principal activities of EIC are freezing, packaging and cold storage of produce, warehousing, distribution and stevedoring. It also holds land on Humberside which it intends to sell or develop if planning permission is granted.

Recent disposals leave Global with three businesses - Global Meat, which trades beef and pork throughout the world; Peakburgers, which makes beefburgers for the catering trade; and Canterbury Foods, which makes snet dumplings for UK food manufacturers.

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"The group's strategy has stood us in good stead with all divisions showing a healthy increase in profits."

*Derrick Holdenshaw*  
(Extracts from the Chairman's Statement)

Pre-Tax Profit		Earnings per Share		Dividends per Share	
1989/90	1988/9	1989/90	1988/9	1989/90	1988/9
£260m	£229m	22.0p	19.8p	5.65p	5.00p
Up 13.5%		Up 11.1%		Up 13.0%	

28 weeks to 16 September 1989

"Once again the group's strategy, based on international growth, brand strength and responsiveness to the consumer, stood it in good stead. I am particularly pleased that our important joint venture with Suntory has made an excellent start contributing to the bottom line in its first six months.

Brands such as Castlemaine XXXX, Tetley, Ballantine's, Courvoisier and Baskin-Robbins have performed well and there were some significant efficiency gains across the group.

We expect further satisfactory profits growth from our worldwide business and we remain confident of the long term outlook?"

ALLIED-LYONS

## HAMBROS PLC

'Profits after tax and EPS  
show significant growth -  
Interim dividend increased by 9%'

reports Charles Hambro, Chairman

RESULTS FOR THE HALF YEAR ENDED 30TH SEPTEMBER

	1989	1988
Profit before tax and minorities	£35.8m	£38.6m
Profit after tax and minorities	£29.1m	£21.1m
Earnings per share - basic	15.7p	13.1p
- diluted	14.7p	13.1p
Interim dividend per 20p ordinary share	3.6p	3.3p

Banking profits up by 56% but overall results held back by weakness of housing market

Outstanding performance by treasury hedging instruments

Hambro Countrywide reducing dependence on housing market by expansion into related areas

Continued high level of investment gains

Shareholders' funds increased and now in excess of £440 million

Looking ahead Charles Hambro said:  
'Despite this encouraging performance, the political and economic uncertainties make it unusually difficult to comment on the outlook for the second half of our year. However, I remain confident of our ability to progress.'

These results are unaudited. If you would like a copy of the interim report please write to:  
The Company Secretary, Hambros PLC, 41 Tower Hill, London, EC3N 4HA.

150 YEARS

150 YEARS

150 YEARS

150 YEARS



UK COMPANY NEWS

Weak housing market hits Hambros

By David Lascelles, Banking Editor

THE persistent weakness of the UK housing market took its toll on the interim profits of Hambros, the Banking, estate agency and financial services group.

The group earned £35.8m before tax in the six months to September 30, down 7 per cent on the £38.6m in the same period a year earlier. However, at the post-tax level profits were up sharply thanks to a tax-free gain, and the profit attributable to shareholders amounted to £26.4m, up from £21.1m. Earnings per share were up 20 per cent, and 12 per cent fully diluted.

The fall was mainly because of much poorer results from Hambro Countrywide, the large estate agency chain in which Hambros owns 51 per cent.

Although the group has cut

costs heavily, the continuing weakness of the housing market led to a loss of £6.4m in retail financial services, compared to a profit of £14.3m the year before. However, Hambros is selling a growing volume of life insurance through its estate agency, more than half its home-buying customers take out policies.

Hambros' other services, which include insurance broking (C.E. Heath) and property earned £23.7m. This included £18.3m from investments, three quarters of which was a gain from the acquisition of Hambros Investment Trust earlier this year, and the subsequent sale of the majority of its quoted investments. Further gains are expected from this deal.

Banking profits amounted to £27.4m, up substantially from

£17.5m. All divisions contributed to the rise, particularly treasury and capital markets. The banking side benefitted from a £51m capital infusion from the HIT deal.

Hambros is advising Hoylake on its record £150m bid for BHP Industries but none of the fees have been included in the results so far. Hambros will receive \$30m if the bid succeeds, and \$5m if it fails.

Mr Charles Hambro, the chairman, said the many political uncertainties facing the group made it hard to comment on the outlook. But given the new capital in the banking business, and the professionalism and potential of Hambro Countrywide, "I remain confident of our ability to progress".

The interim dividend is being increased by nine per cent to 3.6p.



Charles Hambro: confident of ability to progress

Reorganised SAC Intl improves to £3m

By Peter Berlin

SAC International, the engineering services group, is beginning to reap the benefits of last year's reorganisation of its design services operation.

Yesterday, SAC unveiled a 62 per cent improvement in its pre-tax profits to £3.07m for the 12 months to August 31 from a turnover just 7 per cent higher at £44.32m (£41.6m).

Mr Roger Smedley, chairman and chief executive, said SAC had concentrated on cutting overheads and surplus labour. He added that this was why profits had increased more rapidly than turnover.

Mr Smedley said the group had experienced "indigestion"

last year following a string of acquisitions starting in 1988. This year it had concentrated on developing a single corporate identity and on offering a fuller range of services in each of its regions and increasing the industrial and geographical spread of its business.

Design services, now called SAC Technology and which account for 45 per cent of the group's business, experienced an upturn in 1989.

The division recently entered a two-year agreement with British Aerospace to assist in future Airbus programmes. In 1988 the division cut staff by 20

per cent which resulted in an exceptional item of £504,000 in that year's accounts.

The group's technology projects wing, which accounts for 15 per cent of turnover, has formed a joint venture with UK Atomic Energy to tackle power-plant repair projects around the world.

The nuclear industry accounted for 14 per cent of SAC's turnover in 1989, down from 19 per cent in 1988. Mr Smedley said that because the group was involved in the repair of nuclear power stations, rather than in building new ones, there was no prospect of a downturn in business

in that area.

Overseas business made up 28 per cent of SAC's turnover. The group has three offices in West Germany, one in the Netherlands and one in Switzerland.

It is also developing one in Spain. Mr Smedley said the office in Seattle had proved difficult to run and had produced low profit margins. He said SAC would like to increase the foreign proportion of its business and intended to focus on the Continent.

Earnings per share reached 9.58p, up from 6.03p, and a final dividend of 3p makes a 4.5p (4p) total.

NEWS DIGEST

H Young declines to £1.77m

H YOUNG Holdings, the supplier of propane gas, horticultural machinery, electronic components and spectacles, yesterday reported pre-tax profits of £1.77m in the fourteen months to end-September 1989, down from £2.98m in the previous 12 month period.

The group also announces the sale of its Readygas business to SGI, a subsidiary of Shell UK, for an aggregate consideration of £9.6m. This sale 'substantially strengthens' the company. Net assets increase by 99 per cent to 90p per share and the group becomes unquoted.

The results were achieved on turnover of £37.8m. Net interest topped the £1m mark, from £300,000 last time, and after tax of £565,000 (£1.01m) earnings per share were 7.9p (16.6p resisted).

The company said that demand for optical products had fallen by some 50 per cent following the introduction of eye tests, and high interest rates had reduced consumer demand for many of its other products and services.

The board is recommending a final dividend of 4p (3p) per share, making a total for the year of 6p (4.4p).

Norfolk House in £1.4m acquisition

The latest deal by Norfolk House Group, the £11.4m cash acquisition of Action 2000 from DC Cook Holdings bringing with it 33 petrol stations and roadside development sites, puts the group into the top three independent petrol retailers in the UK.

The properties include 11 redeveloped petrol filling stations and 10 freehold roadside development sites. A further 12 roadside sites are under option.

Of the purchase consideration, £2.7m was attributed to the petrol stations and investment properties and the balance to the land.

Norfolk House, which came to the USM in February 1988, does not necessarily retain the service stations it acquires. Its expertise is in the acquisition of such sites and their subsequent development with improved management controls and increased petrol sales volume and, having attained that, a subsequent on-sale.

Verson tops £0.5m midway and sees better second half

By Richard Tomkins, Midlands correspondent

VERSON International, the West Midlands-based manufacturer of metal forming machinery, increased pre-tax profits by 28 per cent to £560,000 (£434,000) in the six months to July and looked forward to a sharp acceleration in turnover during the second half.

Earnings per share were up by 26 per cent to 0.84p (0.51p) and the dividend is raised by 20 per cent to 0.21p (0.175p).

Mr Tim Kelleher, chairman and chief executive, said the group had entered the year with an order book dramatically ahead. By the end of October it had reached £62m, twice the previous year's level.

Orders took time to translate into sales, Mr Kelleher said, so the increase was not reflected in first-half turnover ahead just 4 per cent at £23.8m (£22.9m). Second half turnover, however, should be double the first-half figure.

Profits growth was achieved in spite of higher-than-expected interest charges. These resulted from the increase in base rates and the rapid build-up of work in progress.

Disruption caused by factory

reorganisations at Verson Wilkins and Bronx Engineering also took its toll, but Mr Kelleher said the benefits of the group's capital investment programme should lead to higher margins in the second half.

Verson is not heavily exposed to the UK market because 75 per cent of its sales overseas. Yesterday it signed a £2m contract to supply the Pohang Iron and Steel Company of South Korea with three machines for wrapping steel coils.

Southnews falls to £1.3m midway

Southnews, the company which publishes and distributes a number of weekly newspapers in west London, south Buckinghamshire and parts of the south coast, yesterday announced pre-tax profits down from £1.5m to £1.3m in the six months to end-September.

Turnover however, went up from £9.37m to almost £10m and interest payable also rose from £41,000 to £64,000. Tax took £468,000 (£528,000) leaving earnings per 5p share at 5.62p (6.37p). An unchanged interim dividend of 1.6p has been declared.

The directors said that the prolonged reduction in advertising revenues across property and retail sectors within the London area had had a severe impact on revenues there, but in the core business, Middlesex County Press, operating margins had improved.

Century Oils fails to meet expectations

Directors of the Century Oils Group said yesterday that the expected improvement on last year's trading had not materialised and that profits for the opening six months of the 1989-90 year had fallen from £2.86m to £1.05m at the pre-tax level.

They added, furthermore, that there had been a decrease in exports from Europe, a reduction in UK sales from late summer and increases in raw material costs. This, they pointed out, meant that further selling price increases in the market place were inevitable.

Turnover for the half year ended September 30 totalled £48.23m (£46.14m) - the group manufactures lubricants and allied products.

Earnings fell by 3.06p to 2.09p. However, actions being taken - including the sale of an 11.2 acre site at Darford, Kent, and a similar one in the US - together with the group's underlying strengths prompted the directors to maintain the interim dividend at 1.75p.

Elga Group surges 83% to £268,000

Elga Group, the manufacturer of water purification equipment, reported an 83 per cent rise in pre-tax profits from £146,000 to £268,000 in the six months to end-September 1989.

Turnover, at £5.87m, was up 7 per cent from £5.47m last time, and after tax of £93,000 (£51,000) earnings per 5p share came out at 1.73p (0.94p). The interim dividend is raised to 0.5p (0.4p).

The directors said the second half had started well and all of the group's operations in the UK and overseas were performing in line with expectations.

Chemoxy moves further ahead

Chemoxy International, chemical manufacturers, reported a 10.1 per cent increase from £514,000 to £566,000 in pre-tax profits for the six months ended September 30 on turnover which rose 26 per cent to £7.14m.

The company said it anticipated that, despite changes in the mix of business, the results for the full year March 31 1990 would demonstrate its ability to prosper in the poorer economic climate. After tax of £196,000 (£180,000) net earnings per share emerged at 12.4p (11.6p). The interim dividend is raised from 2.6p to 3.5p.

Radio City rises to £1.34m

Continued progress through the second six months enabled Radio City (Sound of Mersey-



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## UK COMPANY NEWS

### Fairline confident after rise to £4.14m

By Peter Franklin

THE recent weakening of sterling exchange rates coupled with a shift in demand towards its larger, more profitable, vessels was the cause of much optimism for the coming year at Fairline Boats, the builder and retailer of power boats and boating equipment.

The company, which is based in Ormside, Peterborough, has a full order book and is confident of being able to sell its full production well into the autumn of next year, up to 70 per cent of which is expected to go for export.

Mr Sam Newington, chairman and managing director, revealed this as he disclosed a 14 per cent rise in pre-tax profits from £3.63m to £4.14m in the year to end-September 1988.

The result was achieved on turnover up 20 per cent to £20.5m (£25.37m) and despite the company not being able to capitalise on the strong demand for its boats because it had not commissioned any new production capacity at its new factory at Weldon, Northants, until the very end of the year.

In addition the regional development job creation grant attracted by this development was much lower this time at £36,000 (£163,000) and a cost of over £100,000 (nil) was incurred to stabilise prices for the company's overseas distributors early in the year in the face of an overvalued pound.

Mr Newington said that there were signs of weakness in the market for smaller boats.

The 24ft boat was being discontinued and Fairline had seen sales decline in its 27ft model.

There was a trend for owners to update to a larger boat, and Fairline planned next year to introduce three new models, including a 32ft vessel which would sell for around £400,000.

To provide the increased capacity necessary for this development the company was currently bidding for a further site in Ormside, which could be handed from its £5m of cash reserves, he said.

After a tax charge of £1.33m (£1.06m) earnings per 10p share came out at 80.1p (73.3p) and the directors propose to pay an improved final dividend of 12p (9.5p) making a total for the year of 18.5p (13.5p).

### Good Bison result boosts NSM

By John Riddling

NSM, the restructured private coal mining group which used to be known as Burnet & Hallamshire, continued its strong turnaround from a history of losses by more than doubling pre-tax profits, from £4.2m to £10.6m, for the first half.

Much of the improvement in the six months to the end of September came from a first time contribution from Bison, the concrete flooring company acquired last September for £82.5m.

Mr Don Carr, chairman, said that Bison had "significantly exceeded its performance for the corresponding period" and had added about 57m to group turnover of £122.2m.

But the company remains highly geared, with net borrowings slightly in excess of shareholders funds. Interest charges also rose sharply, from

£1.6m to £3.6m. Turnover for the period grew from £40.31m to £57.95m and earnings per share climbed from 2.5p to 3.8p despite an increase in taxation from £100,000 to £2.63m. Any dividend will be paid at the year end.

Mr Carr described the results as "very satisfactory" and said that the group forecast continued improvement in its performance in the second half.

The mineral and mining division, which represents about half of pre-tax profits had increased its contribution by about 40 per cent. In the US, coal sales benefited from improved product prices and better product mix.

However, in the UK, three new open cast sites which were due to be opened this year failed to get planning permis-

sons, although the company is appealing against the decisions. During the period, NSM also made its first move into the landfill and waste disposal business and has reached agreement with Derbyshire County Council to develop a joint landfill site. NSM estimates that it has a potential waste capacity of 15m cubic metres in the UK and a similar amount at a single US site.

#### COMMENT

NSM's revival continues apace with an impressive set of results. In the short term, the level of gearing and the effect of slowing construction markets on certain of Bison's flooring business gives some cause for concern. But most of Bison remains protected and there will be benefits from rising

coal prices and increased capacity in its mining operations, particularly in the US. In the UK, the proposed relaxation of coal licence limits are also likely to provide a boost, as should any other moves towards industry privatisation. Potentially more significant, however, is the development of its waste management and landfill operations. Analysts estimate that, in the US, the burying of two thousand tons of rubbish a day could bring annual revenues of about \$65m. The prospect of making money from filling in holes that it was profitable to dig in the first place is something to look forward to, combined with solid core businesses, justifies NSM's prospective multiple of about 18, based on full year pre-tax profits of £26m.

### Sanderson Electronics' sharp advance

By Alan Cane

SALES AND profits were sharply up last year at Sanderson Electronics, a rapidly-expanding computing services group which is bucking the industry trend by concentrating on systems using "Plex" operating software rather than the more fashionable "Unix".

At £12m, sales for the year to September 30 were 54 per cent on the £7.8m achieved the previous year with profits rising 72 per cent to £2m, exceeding analysts' predictions.

Earnings per share increased 70 per cent to 23p and the directors are proposing a final dividend of 5.4p.

The total dividend for the year will be 7.5p.

The market responded by marking the shares up 20p to 315p. When the company joined the USM in September 1988, its shares were priced at 130p.

Sales have now increased each year by at least 50 per cent for six years in a row.

Sanderson's core business is computing services including maintenance, software and turnkey systems.

It operates in the UK, US, France, Germany, Italy, Belgium, Australasia, Singapore and Hong Kong.

The group acquired a 35 per cent stake in General Automation, a US-based minicomputer group in June 1988 and a 45 per

cent stake in SGA Pacific, a systems house working with General Automation hardware, on September 1 this year.

Sanderson says that including these two associated companies the group is currently trading at about £90m sales a year and collectively employs some 600 people.

Sanderson has the right to increase its share of General Automation to 51 per cent. The group's principal trading company in the UK is Sanderson Computers which markets a range of computers which use an operating system called Plex which is essentially a competitor to Unix. It allows many users to work on the

same system and to carry out several tasks simultaneously. The company is looking for growth of between 30 and 50 per cent in the coming year and is expected to announce further acquisitions in the near future.

Plex is a mature operating system with effective database handling capabilities which is well suited to a wide variety of business applications. The UK leader in Plex systems is McDonnell Douglas Information Systems, but Sanderson seems to have secured its own position in a niche market: at a price of 13.5 it is hardly overpriced.

### Wickes Belgian funding package

By Tim Dickson in Brussels

WICKES, the publicly quoted UK company which supplies timber, building materials and associated home improvement products and services, announced details yesterday of an unusual funding package to finance its latest expansion in Belgium.

Wickes is issuing so-called property investment certificates - securitised property bonds which have been a feature of the Belgian market for more than 20 years - to acquire six new stores in Belgium thereby bringing its total in that country to 18 by the end of next year.

The BF470m issue of 20 year bonds at a price of BF100 each plus BF300 in costs giving a yield of 6.62 per cent net - has been put together and is being underwritten by Generale de Banque, Belgium's biggest

commercial bank.

A spokesman said yesterday that the bonds, which will be distributed "widely among the general public", will be quoted on the Belgian Stock Exchange and will offer investors the advantage of liquidity as well as "the classic advantages of a property investment."

Like many of the other 50 or so property investment certificates issued in Belgium - less than half of which are publicly quoted - part of the income stream will come through a reimbursement of capital (thereby avoiding withholding tax) while the rest will be paid in the form of interest (on which a 25 per cent tax rate has to be paid).

More unusually, the deal is structured in such a way that there are important VAT savings to Wickes in that it

will be leasing the properties from Wickes Land Development (jointly owned by Wickes and Generale de Banque) in carry on its own productive activities.

Under the terms of the issue Wickes receives a 20 year option to buy the six sites and buildings at a price equivalent to 80 per cent of their market value (subject to a minimum of 67 per cent of the value of the initial investment price).

If Wickes exercises this option investors have the right to sell their certificates to the company at a price equal to the average of the last 20 quotations, with a minimum price of BF17,000 for each certificate.

This arrangement could have favourable capital gains for investors but the main purpose is to satisfy the legal requirements of a lease.

### W&R Jacob £5.55m cash call

W&R Jacob, the Dublin biscuit manufacturer, has called on shareholders for £5.55m (£5.25m net) via a one-for-five rights issue at 385p each. In addition, Jacob is to acquire Golden Glow, a nut processing and distribution company, for a maximum consideration of £24.6m.

The initial consideration will be satisfied by the issue of up to £23.72m in guaranteed unsecured loan notes and £211,000 cash. A total of £21,000 cash will be paid on completion in consideration in respect of the factory and warehouse not owned by Golden Glow.

A subsidiary of the BSN Group, which holds 28.98 per cent of Jacob's issued capital, has undertaken to subscribe for its full rights entitlement.

### Beckenham makes £14m agreed bid for Bardsey

By Jane Fuller

BECKENHAM Group, the USM-quoted maker and installer of heating and ventilation ducts, has made an agreed bid worth £14.2m for Bardsey, a fully listed hand tool distributor.

Beckenham is offering three new shares for every four of Bardsey's.

Taking yesterday's closing price of 81p for Beckenham's shares, this values each Bardsey share at 60.75p, compared with 59.5p at yesterday's close.

The offer includes a cash alternative of 28p instead of the three Beckenham shares, with 23m available to cover acceptances of this.

If insufficient, the amount

per Bardsey share will be scaled down to a minimum of 23p.

The deal follows the disputed sale of Bardsey's Babone Chesterman tool-making company. Stanley Tools, a UK subsidiary of a US tools company, won a protracted battle against Cooper Industries, another US company, which offered more but carried legal complications.

The sale was worth £10.8m to Bardsey, including just over £2m to come in from the disposal of a Sheffield factory.

Although the merger is being brought about by a Beckenham offer, it was Bard-

sey that made the first approach.

Mr David Burnet, Bardsey's chairman, said the Babone Chesterman deal had been a "disaster" because of the high office costs being supported by only one subsidiary of any size - the RCF Tools distribution company - as total turnover fell to less than £30m.

"We were looking to make acquisitions, but many that we looked at were larger than us. Beckenham came across our sights. When we talked about it, a merger seemed sensible and it was more appropriate for them to take over us."

Beckenham, which graduated from the Third Market to

the USM in the late summer, is forecast to have increased its pre-tax profit from £1.5m to £3m on turnover up more than 70 per cent to £75m in the 12 months to October 31.

It has recently bought Fenwick, an air-conditioning ductwork company, and sold Curtis Tools, in the engineering sector, little more than a year after acquiring it.

Mr Christopher Egleton, chairman, said Bardsey was number two in the hand tools distribution field, which was a promising area despite the lull in the DIY market.

On the outlook for Beckenham, he said the company was

one of the two biggest operators in ductwork and had yet to feel any effects of a downturn in construction.

To cushion itself, it had expanded from the south-east and south Midlands into the south-west, and was planning to have national coverage within the next six months.

The enlarged group is expected to have an annual turnover of about £100m and net assets of more than £20m. It remains ungeared.

Bardsey will pay shareholders a special dividend of 1p. There will also be a £200,000 all-share offer for its warrants.

#### COMPANY NEWS IN BRIEF

AEROSPACE ENGINEERING has acquired Wynn, which is based in the Telford area and specialises in the manufacture of plated through hole and multi-layer printed circuit boards for £1.2m in cash.

RAT INDUSTRIES, the tobacco-based conglomerate, has continued to buy in its shares in relatively small amounts. It disclosed yesterday that it acquired 250,000 shares on Friday at 78.5p apiece.

BEAUFORD has acquired the business of Hosan for £147,000 in cash. Hosan manufactures a range of specialist machine tools with a wide variety of applications.

WILLIAM COOK's wholly owned subsidiary, Braintree Foundries has purchased Lake & Elliott Paramount's foundry business at Braintree, Essex for £1.35m cash.

HANOVEE DRUCE has sold an investment property in Luton to Providence Capital Life Assurance for £2.8m in cash. The property comprises four modern freehold units which contain warehouse and office space and are located on an industrial estate at Cosgrove Way, Luton.

HIV's subsidiary Television Media Marketing has acquired Cordmate (a non-trading holding) and its wholly owned trading subsidiary, Foster Buying Agency Concord and Postmark. The total initial consideration for the acquisition will be £2.95m, made up of £2.35m cash and £619,000 in loan notes. Deferred additional consider-

ation of up to £200,000 is payable in cash, subject to net assets and profits for the year ended December 31 1988.

IMI, diversified industrial group, bought the 50 per cent of Technofund, Belgian distributor of fluid power products, it did not already own for £1.5m in cash.

MENVIER-SWAIN is paying up to £2m for Pretronica-Precisao Electronica, of Portugal, which principally makes emergency lighting equipment of a similar type to that produced by Menvier-Swain. Initial consideration is £765,000, with further payments profit-related.

PSION's rights issue to raise some £4.8m received applications for 98.8 per cent of the 1,955,250 new shares offered.

TR HIGH INCOME: the offer of 14m ordinary and 2.88m subscription shares was oversubscribed. Applications for up to 1,000 units will be satisfied in full, those for between 1,000 and 6,000 will be scaled down to 65 per cent of the number applied for subject to a minimum of 1,000, applications for 7,000 and over receive 4,000 units.

WESTMINSTER Scaffolding has paid £28,000 to acquire Digby Scaffolding. The consideration comprised £210,000 cash and £70,000 in 8 per cent loan stock, convertible into 63,636 Westminster ordinary at 110p each in April 1989. In the year ended September 30 1988 Digby incurred losses of £37,000 to add to its brought forward deficit of £450,000.

#### EMPIRE OF AMERICA FEDERAL SAVINGS BANK NOTICE OF REDEMPTION OF COLLATERALIZED FLOATING RATE NOTES, SERIES A

To: Holders of Collateralized Floating Rate Notes, Series A of Empire of America Federal Savings Bank - Total Principal Amount: \$125,000,000

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of ARTICLE SIX, Section 6.01(c) of the Indenture Agreement dated December 17, 1985, between Empire of America Federal Savings Bank ("Empire") and Manufacturers and Traders Trust Company, as trustee, ("Trustee"), Empire will redeem, on December 15, 1989, Floating Rate Notes, Series A (the "Notes") at a redemption price equal to 100% of the principal amount, plus accrued interest to the Redemption Date. Interest due on December 15, 1989 will be paid in the usual manner.

Payment of the redemption price including accrued interest to the Redemption Date will be made in each coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debt. Payment of the redemption price will be made by a check drawn on a bank in New York City upon presentation and surrender for redemption of such Notes.

If by mail, to: The Chase Manhattan Bank, N.A. Box 2020 One New York Plaza - 14th Floor New York, New York 10011

If by hand delivery, to: The Chase Manhattan Bank, N.A. Corporate Trust Administration Division One New York Plaza - 14th Floor New York, New York 10011

From and after December 15, 1989, interest on the Notes will cease to accrue. The Notes will no longer be deemed outstanding on or after December 15, 1989, and all rights with respect thereto will cease, except only the rights of the holders to receive the redemption price, including accrued interest to the Redemption Date.

Under Federal Reserve tax law, the Paying Agent may be required to withhold 20% of payments to holders presenting their notes for redemption, if such holders have certified to be correct under penalties of perjury. Certification may be made to the Paying Agent on Form W-9.

Empire has caused to be printed, first class postage prepaid, a copy of this Notice to each registered holder of the Collateralized Floating Rate Notes, Series A.

EMPIRE OF AMERICA FEDERAL SAVINGS BANK  
November 17, 1989



TECHNOLOGY

Clive Cookson reports on a compact disc application that involves sound, text, graphics and video

# Moving to the beat of a different mix

The success of compact discs in the consumer market is rapidly spinning off new applications of CDs in electronic publishing.

The technology — unfortunately saddled with the title CD-Rom (compact disc read-only memory) — is likely to become one of the most important means of distributing information to personal computer users. The worldwide value of CD-Rom sales, including hardware and software, was \$400m in 1988, according to InfoTech, a US consultancy, and most analysts expect the annual growth rate to exceed 100 per cent for at least the next three years.

Most CD-Roms released so far contain a mixture of text and static graphics. Many are specialist databases aimed at professional and commercial markets — CD versions of on-line computer databases. One of the few commercial databases assembled from scratch for CD-Rom, rather than converted from an on-line database, is El Cid (Electronic Library Construction Information Database), which provides all the technical information required by builders and architects to comply with UK building regulations.

CD-Rom is an excellent medium for computerised mapping and it is being used by aerospace and automobile manufacturers to distribute technical and engineering documentation and by large libraries to produce book catalogues. Rank Xerox will be a large in-house user; it plans to issue all field service engineers in the UK with a portable computer and CD-Rom drive; every month they will receive an updated disc containing full technical data on 80 photocopiers.

More exciting applications will emerge over the next two years as CD technology is extended to mix sound, text, graphics and video on a single disc. This is the route to "multimedia computing", manipulating any combination of moving and still pictures, sound and data on a cheap personal computer.

The basic CD-Rom is now a true world standard. Although there were software compatibility problems for two or three years after Philips of the Netherlands and Sony of Japan launched CD-Rom in 1985, these have been sorted out and users should now be able to play a disc from any publisher on a CD-Rom drive from any hardware manufacturer attached to any IBM-compatible PC. (Today everyone follows the High Sierra format for storing and retrieving CD data, enshrined as international standard ISO 9660.)

Even so Isabel Pring, a London-based CD-Rom consultant, still advises anyone buying an expensive disc to have a demonstration first. "If possible, see it running on your particular computer configuration — for example an IBM PC with a Hitachi CD drive."

There is no world standard for mul-

timedia CDs. The two main contending systems are CD-I (CD-Interactive), developed by Philips and supported by several Japanese manufacturers including Sony and Matsushita, and DVI (Digital Video Interactive), originated by RCA/General Electric in the US and bought last year by Intel.

CD-I and DVI have different emphases. Philips sees CD-I primarily as a consumer product to be run on a dedicated CD-I machine — a new combination of home computer, video and CD player that is scheduled for launch in the US in 1991 at an initial retail price of \$1,000. American Interactive Media, a Philips subsidiary based in Los Angeles, aims to have a library of 30 to 50 mass-market CD-I titles ready by then, ranging from Children's Musical Theatre to The Urban Gardener. Richard Arroyo, the company's senior vice-president, expects the discs to cost \$20 to \$40 each.

Intel, on the other hand, is developing DVI as a set of chips that enable PCs to play multimedia CDs — and IBM has given DVI a boost by agreeing to develop the technology for its PS/2 and future PCs.

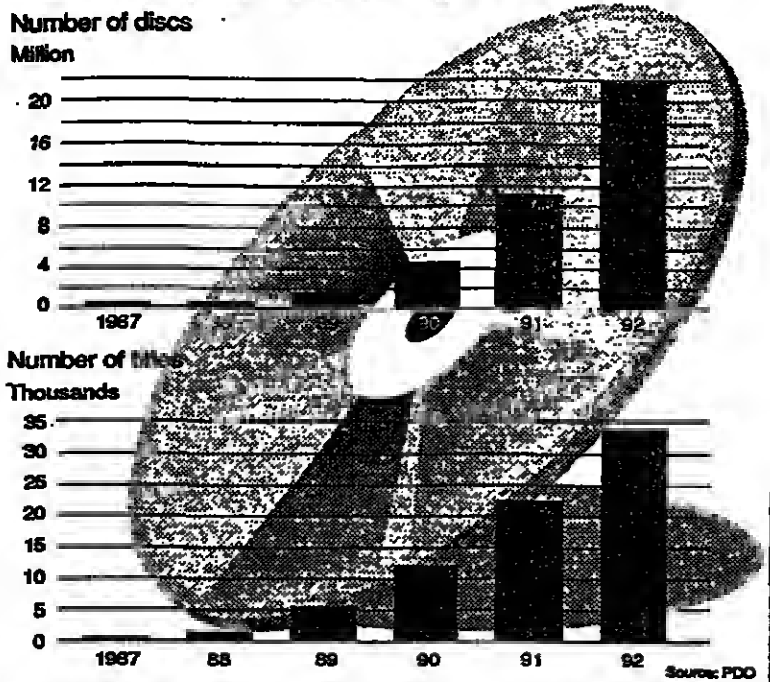
It is clear, however, that CD-I and DVI are competing to become the world standard for multimedia CDs in the 1990s. Philips has designed CD-I to run on ordinary personal computers as well as special players. The first CD-I systems, to be introduced next year before the official consumer launch, are similar to the professional and business applications that Intel and its partners are developing for DVI.

Philips has signed up Intel's arch-rival Motorola to make CD-I chips and is ahead of Intel in signing up Japanese partners. But Intel scored on Philips's home territory last month when Olivetti announced that it would provide DVI for personal computers in Europe.

As a "bridge" between CD-Rom and CD-I, Philips and Sony have announced another new format, known as CD-Rom XA (for extended architecture), which lays down guidelines for interweaving sound with text and graphics on CD-Rom but is not a full multimedia standard. Opinions vary in the industry as to whether CD-Rom XA will turn out to be an important intermediate standard or an irrelevance.

The hardware for CD-Rom and derivatives is based closely on the specifications for the 12cm audio com-

The worldwide CD-Rom market



act disc, laid down by Philips in the 1982 Red Book. Indeed the manufacturing process is the same whether the CD holds pop music or obscure technical data.

The information is stored digitally in the form of microscopic pits and blank spaces on the CD's aluminium surface. The player has a laser beam and photo-detector, which reads a binary 1 or 0 according to whether it encounters a pit or a space.

Technically, CD audio is not an ideal basis for computing and electronic publishing. "If you started from scratch, the most obvious improvement would be to increase the rotational speed of the disc," says Anders Reinberg of Philips and Du Pont Optical (PDO), the Dutch-American disc manufacturer. "That way you would get a higher data transfer rate. Multimedia applications would be much easier if you could spin the disc five times faster."

The compensating advantage of riding on the back of the mass-market audio standard is that manufacturing costs are far lower for CD-Rom than

they would be for a laser disc developed specifically for electronic publishing. The UK price of a typical CD-Rom drive is £500-£700.

The costs of putting information on CD-Rom depend on the quantity of discs required. PDO charges £1,900 to make a single CD-Rom master disc; each duplicate disc then costs from £9 (for quantities of 10 to 99) down to £3.25 (for 1,000 or more). Prices are lower for regular orders; a company ordering a weekly CD-Rom from Nimbus Records might not have to pay more than £1.150 for each master and £2 per duplicate disc.

The manufacturing costs may represent only a tiny part of the price paid by an end-user for CD-Rom. A disc holding a valuable database may cost several thousand pounds. For example, Kompass CD, part of Reed International, sells five major UK company directories on a single disc for £4,000.

A single CD can hold about 600 Mbytes of data — equivalent to 1,500 floppy discs or 250,000 pages of printed text. But average access times

are much slower for CD-Rom than for conventional computer discs (hard or floppy) which spin more quickly; it can take as long as a second to locate a piece of information on a CD-Rom.

Although the storage capacity sounds impressive for text, CD-Rom is quickly overwhelmed by the immense volume of data required to encode digital video. A single disc can hold only three minutes of full-motion pictures. Multimedia CD applications depend on software which "compresses" the video signals without reducing the quality to an unacceptable level.

Intel and Philips say that the compression techniques incorporated in their interactive CD systems will deliver full-quality video. Judging by what they have demonstrated in public, Intel's DVI is ahead of CD-I in its video capabilities. "At the moment DVI video quality is not at the same production quality as straight analogue video," says Mike Lloyd, managing director of Attica Cybernetics, a specialist CD-Rom company. "But it is very acceptable quality. It's similar to home video in terms of the display."

Attica Cybernetics, based in Oxford, recently won one of the first UK contracts to develop a DVI system. It is to teach British Sign Language to deaf people and their families. The student moving sequences will be stored on CD-Rom. The system also has a camera which records each student's attempt at signing and displays it on the computer screen, side by side with the correct method from the disc.

At the same time Philips is promoting CD-I for interactive training. Last month in Paris it demonstrated a system to train mechanics in Renault service stations worldwide. There is a set of four discs, each containing the same text in seven European languages.

Outside the Philips and Intel camps, Apple of the US is devoting huge resources to its own "multimedia" strategy using CD-Rom with the Macintosh personal computer. The Mac-based systems are an imaginative mixture of text, sound, graphics and animation though they do not yet include digital video.

Apple's latest multimedia initiative, on which the company's UK subsidiary will spend £0.5m over the next year, is the Renaissance Project. Working with the BBC and a group of colleges and universities, Apple plans to develop "a new learning process which will encompass all academic disciplines from arts to sciences and the world of commercial and industrial training."

If the CD lives up to its promise, it will be the dominant means of distributing pre-recorded information and entertainment by the year 2000.

# Motorola joins IBM chip cause

By Louise Kehoe

In its latest effort to boost the competitiveness of the US semiconductor chip industry, International Business Machines this week revealed that it will share the use of its new \$1bn experimental X-ray lithography facility in East Fishkill, New York, with Motorola, the largest US "merchant" semiconductor manufacturer, for a "nominal fee".

The agreement represents the first of what IBM hopes will be several such "partnerships" with chip-makers and manufacturers of semiconductor production equipment, as it begins efforts to develop X-ray technology and maintain a US lead over Japan's semiconductor producers.

Over the past year, IBM has invited a number of leading US and European companies to make use of its facilities, merely covering its own costs. Motorola, however, is the only company to accept the invitation and "some have turned us down," IBM president Jack Kuehler acknowledges.

IBM expects to use X-ray lithography to scribe the extremely fine details of the next generation of memory chips — 16 megabit D-Rams. The company's semiconductor engineers are convinced that X-ray lithography will become an essential part of the semiconductor production process by the mid-1990s.

Kuehler points out that Japanese semiconductor producers are moving ahead more quickly than those in the US on X-ray lithography. There are at least 15 X-ray facilities in Japan, while IBM's is the first such privately-owned facility in the US. By allowing others to use its facilities, IBM hopes to close the gap.

US chip-makers decline to comment on why they have not taken up IBM's offer. Some, it appears, do not agree with IBM's view of the future role of X-ray lithography. They believe that licensed optical lithography and electron beam methods can meet foreseeable needs.

Others, faced with pressing financial problems, are not in a position to commit themselves to such long-term, expensive research projects. The chip-makers' reluctance

may also reflect a traditional reliance upon semiconductor production equipment manufacturers to come up with advances in lithography technology, rather than developing them at their own expense.

Even Motorola has limited its commitment to 21 months, during which the company says that it will learn about IBM's X-ray capability and assist in perfecting its applications. At the end of this period, Motorola may either renew its contracts with IBM or withdraw from the project.

None the less, IBM is pleased to find at least one taker. "This agreement is consistent with our pledge to share some of IBM's most advanced technology to help strengthen the competitive position of the US semiconductor industry," said Michael Attardo, IBM vice-president.

Indeed, IBM has become a national champion of the US chip industry in the face of Japanese competition. "IBM is on the field of battle carrying the American colours," observed New York's lieutenant-governor, Stan Lundine, speaking at dedication ceremonies for the new IBM Advanced Semiconductor Technology Centre, which will house the X-ray lithography facilities, this week.

IBM's concerns about US chip-makers stem from its conviction that semiconductor holders the key to future international competitiveness in the computer market. IBM executives say that the company is critically dependent upon an "infrastructure" of chip suppliers and companies that provide semiconductor production equipment and materials. "If you can design the best computers in the world, you can still be beaten by an average computer designer, if he has access to more advanced chips," explains Kuehler.

In other moves to support the US semiconductor industry, IBM has licensed technology to Sematech, the Government funded semiconductor manufacturing technology development consortium, and promised also to license its current and future memory-chip designs to US Memories, a proposed memory-chip manufacturing consortium.

TECHNOLOGY MARKET

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COMMODITIES AND AGRICULTURE

Opec agrees 1.5m barrel rise in production ceiling

By Steven Butler in Vienna

THE ORGANISATION of Petroleum Exporting Countries meeting in Vienna yesterday reached agreement on a production ceiling for the New Year that lifts Opec's official production ceiling by 1.5m barrels a day to 22m b/d. However, actual production is expected to be significantly higher.

are producing near their production capacity ceilings were granted increases along with those that have plenty of spare capacity. However, a renewed pledge by Kuwait to observe its quota, which was lifted by a special allocation to 1.5m b/d, ranks as an important achievement of the conference. Kuwait now says it will not try to match the UAE in overproduction and is expected to reduce output from about 2m b/d to its quota level.

Saudi Arabia had insisted repeatedly that it would not sacrifice even one barrel from its 14.48 per cent quota share for the sake of the agreement, although it now appears to have done this. The Saudi share of Opec's official production also slipped marginally because the total of quotas assigned to each country exceeds 22m by 86,000 b/d since only Indonesia was willing to sacrifice its own increased quota share to help boost Kuwait's. The 22m b/d is thus only a notional figure, and all countries other than Kuwait will have their share of official production cut at least marginally.

Organic yields 'not much below normal'

By Bridget Bloom

CROPS GROWN organically, without the use of manufactured pesticides or fertilisers, can yield almost as much as conventionally grown crops, an Israeli scientist maintains. According to Dr Gerald Stanhill, director of the Israeli International Centre for Research in Organic Agriculture, comparisons of over 300 organic farms and farming experiments with their conventional equivalents show an average yield reduction of 14 per cent in the case of crops grown without chemical pesticides or fertilisers.

Relations with US 'will remain crucial in Soviet grain-buying'

By Bridget Bloom, Agriculture Correspondent

US-SOVIET relations are likely to play a continuing and major role in the Soviet Union's grain purchasing activities, despite domestic reforms designed to boost Soviet agriculture, the International Wheat Council believes. However, in its latest report, which contains a special section on Soviet agriculture, IWC predicts that Soviet demand in future is likely to be concentrated on grains for animal feed, which are usually less expensive than wheat and are available from a smaller number of suppliers. Most Soviet feed grain purchases consist of maize from the US.

BRAZILIAN government agencies said yesterday that Brazil may have to raise wheat imports from some 2m tonnes this year to 2.5m-2.8m tonnes in 1990 to complete falling domestic production, writes John Parham in Sao Paulo. This year imports should cost \$160m, up from \$97.4m in 1988. Brazil should buy 1.5m tonnes from Argentina and 500,000 tonnes from Canada, and the balance from the US, said Mr Jacques Berthier of Molino Vera Cruz, a wheat mill. The next Brazilian harvest is forecast at 4.2m tonnes, compared with expected demand of 6.5m-7m tonnes. Bad weather, rising costs and disorganised government supervision have forced output down. Only the Federal Government can buy wheat from farmers and sell it to private mills. Production peaked at 6.2m tonnes in 1987 and almost met total demand, but output has declined every year since then.

Gummer to outlaw burning of straw

By Bridget Bloom

BRITAIN is set to outlaw the controversial practice by farmers of burning straw after autumn harvests. An announcement that straw burning will be banned from the 1992 harvest is expected to be made tomorrow by Mr John Gummer, the Minister of Agriculture. The delay is thought to be to enable farmers to make alternative arrangements. Straw-burning has become increasingly controversial in recent years, both because of the nuisance it causes to non-farming country-dwellers and because it is now believed to have a negative effect on the greenhouse effect and to acid rain, according to the National Society for Clean Air. In a new report due to be published on Friday, the Society says that the level of complaints about the burning of some 5m tonnes of straw significantly this autumn, with more than 80 per cent of local authorities in favour of a straw-burning ban. In 1987 straw was burnt on 900,000 hectares, 27 per cent of UK cereal land. Many farmers have already taken steps to reduce straw burning, such as chopping straw and ploughing it in, but burning is still widespread. However, the ban may well cause some consternation - the furthest the National Farmers' Union was prepared to go to meet complaints this autumn was to suggest the practice might be licensed.

Judge to assess tin damages

By Raymond Hughes, Law Courts Correspondent

A HIGH Court judge was yesterday asked to assess the amount of damages to be paid to two Shearson Lehman Hutton companies by MacLaine Watson, a subsidiary of Drexel Burnham Lambert and a member of the London Metal Exchange. The assessment follows Mr Justice Webster's ruling last March that MacLaine had breached tin contracts made with Shearson.

Shearson Lehman Brothers, a trading company owned by American Express, and its metal broking subsidiary, Shearson Lehman Metals, claim \$74.5m in damages. The ruling was made in a case in which the judge held that the LME's Rule M, which fixed a ring-out price overriding outstanding tin contract prices following the suspension of the tin market in October, 1985, was valid.

claims against the LME for allegedly inducing breaches of contract by MacLaine and for alleged breach of duty. Both claims related to Rule M. Appeals by Shearson against those decisions, and by MacLaine against the finding that it was liable to pay damages to Shearson, are expected to go before the Court of Appeal next autumn. The assessment hearing, likely to last four or five days, continues today.

US tightens export programme

By Nancy Dunne in Washington

THE US Department of Agriculture has announced tighter rules for its controversial four-year-old Export Enhancement Program in the wake of domestic criticism of overpayments to American exporters and concerns that the scheme has failed to achieve its original objectives. The programme, designed to encourage the EC from using export subsidies, has also come under sharp attack from US trading partners - particularly Australia, Canada and other countries not enjoying export subsidies but which they have suffered from subsidised American competition. A report by the USDA's Inspector General concluded that the lack of written guidelines for calculating subsidy levels may have given exporters overpayments of up to \$15m through last year. The IG said exporters participating in the programme had refused to provide their financial records, making it impossible

to evaluate the appropriateness of the subsidies. Under the new guidelines, USDA officials must consider the effect that EEP sales have on third country agricultural exporters. Subsidies, called "bonuses", will be approved only if they are expected to have "a minimal effect" on non-subsidising exporters in the market. The USDA still considers the EEP a tool to further its programme to phase out subsidies in the Uruguay round of the General Agreement on Tariffs and Trade. The Department now says that any bonuses must further the US negotiating strategy of countering competitors' subsidies and other unfair trade practices by displacing other countries' subsidised exports. The new guidelines also lay the following ground rules for the programme: The EEP is to be used in countries where US sales have been lost because of competition from subsidised exports. EEP initiatives must demonstrate a potential to develop expanded markets for US agricultural commodities and take into consideration the historical US market share and long-term commercial relationships. Efforts are to be concentrated on export sales of those commodities which would be competitive if competitors did not use export subsidies. The cost of the programme, as well as the amounts of individual subsidies, will be maintained at the minimum level necessary to achieve the objectives of the programme. Executive vice president of US Wheat Associates, said he doubts that the tighter guidelines will matter much in the operation of the programme. EEP offers have been slowed because of the tight supply situation, he said.

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Barbados sugar harvest at 58-year low

By Nancy Dunne in Washington

THE 1989 Barbados sugar harvest yielded 65,263 tonnes, which industry officials said is the lowest since 1931, writes Canette James in Kingston. Barbados' output, which is 17,000 tonnes less than last year, was depressed by a drought followed by too much rain, the officials explained. The island's earnings from sugar exports this year amounted to US\$35m, some \$7m less than 1988, says Mr Warwick Franklin, the Agriculture Minister, said recently that the Government wanted to lift production to an average of 95,000 tonnes a year. Jamaica expects to ship 45,000 tonnes of bananas to Britain this year, following exports of 23,500 tonnes last year, when the island's industry was devastated by a hurricane. Exports to Britain next year are expected to be 80,000 tonnes, growing to 100,000 tonnes in 1991.

WEEKLY METALS PRICES

Prices as supplied by Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.5 per cent, \$ per tonne, in warehouse, 1,750-1,800 (same). BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 4,200-4,650 (4,350-4,750). CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 5,000-5,400 (5,100-5,500).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 7,400-7,700 (7,450-7,700). MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 245-255 (same). MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb, in warehouse, 2,550-2,650 (2,700-2,800). SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 5,350-6,000 (5,500-6,000).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 44-50 (same). VANADIUM: European free market, min. 96 per cent, \$ a lb VO, cif, 2,500-2,800 (2,900-3,400). URANIUM: Npexco exchange value, \$ per lb, UO, 9.60 (same).

WORLD COMMODITIES PRICES

Table with multiple columns for various commodities like Wheat, Soybean Meal, Coffee, etc. Includes sub-sections for LONDON METAL EXCHANGE, POTATOES - BPS, SOYABEAN MEAL - BPS, FRESH FRUITING - BPS, RUBBER - SPS, and various oil and sugar prices.

US MARKETS

Table showing US market prices for various commodities including Soybean Meal, Soybean Oil, and various grades of Wheat and Corn.

Chicago

Table showing Chicago market prices for Soybean Meal, Soybean Oil, and various grades of Wheat and Corn.

LONDON MARKETS

Table showing London market prices for various commodities including Gold, Silver, Platinum, and various grades of Wheat and Corn.

COCOA - London POX

Table showing Cocoa prices in London for various grades and origins.

LONDON METAL EXCHANGE

Table showing London Metal Exchange prices for various metals like Aluminum, Copper, Lead, Nickel, Zinc, and Tin.

POTATOES - BPS

Table showing Potato prices in London for various grades.

SOYABEAN MEAL - BPS

Table showing Soybean Meal prices in London for various grades.

FRESH FRUITING - BPS

Table showing Fresh Fruit prices in London for various grades.

RUBBER - SPS

Table showing Rubber prices in London for various grades.

CRUDE OIL - BPS

Table showing Crude Oil prices in London for various grades.

Small text at the bottom of the page providing additional market information and contact details.







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AUTHORISED UNIT TRUSTS

Main table containing unit trust information with columns for Unit Name, Unit Price, and other financial details. Includes sub-sections like 'Abney Unit Trusts' and 'Abnethy Unit Trusts'.

GUIDE TO UNIT TRUST PRICING. Text explaining how unit prices are calculated, including details on net asset value, expenses, and the role of the trustee.



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Main table of unit trust information with columns for Unit Name, Price, and Yield. Includes sections for 'OTHER UK UNIT TRUSTS' and various insurance-related trusts.

INSURANCES

Table of insurance policies and services, including details on life insurance, general insurance, and other financial products.

Continued on next page



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Main table containing FT Unit Trust Information Service data, organized by company and fund name, with columns for Name, Price, Yield, and other metrics. Includes sections for 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

OFFSHORE AND OVERSEAS

GUERNSEY (SB RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

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BRITISH FUNDS

Table of British Funds, listing various funds with columns for Name, Price, Yield, and other financial metrics.

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ISLE OF MAN (\*\*)

Table of Isle of Man funds, listing various funds with columns for Name, Price, Yield, and other financial metrics.

LUXEMBOURG (\*\*)

Table of Luxembourg funds, listing various funds with columns for Name, Price, Yield, and other financial metrics.

BRITISH FUNDS - Contd

Table of British Funds - Contd, listing various funds with columns for Name, Price, Yield, and other financial metrics.

LOANS

Table of Loans, listing various loan products with columns for Name, Price, Yield, and other financial metrics.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing various international investment options with columns for Name, Price, Yield, and other financial metrics.

AMERICANS

Table of American funds, listing various US-based investment options with columns for Name, Price, Yield, and other financial metrics.

INT. BANK AND OSEAS

Table of International Bank and Overseas funds, listing various global investment options with columns for Name, Price, Yield, and other financial metrics.

CORPORATION LOANS

Table of Corporation Loans, listing various corporate debt investment options with columns for Name, Price, Yield, and other financial metrics.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing various emerging market investment options with columns for Name, Price, Yield, and other financial metrics.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various international investment options with columns for Name, Price, Yield, and other financial metrics.

OFFSHORE INSURANCES

Table of Offshore Insurances, listing various international insurance products with columns for Name, Price, Yield, and other financial metrics.

Money Market Trust Funds

Table of Money Market Trust Funds, listing various short-term investment options with columns for Name, Price, Yield, and other financial metrics.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing various high-interest savings and checking accounts with columns for Name, Price, Yield, and other financial metrics.

UNIT TRUST NOTES

UNIT TRUST NOTES: A detailed section providing information on unit trusts, including their structure, risks, and how they are managed.



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AMERICANS - Contd

Table listing American stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

BUILDING, TIMBER, ROADS Contd

Table listing building, timber, and roads stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

DRAPERY AND STORES - Contd

Table listing drapery and stores stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

ENGINEERING - Contd

Table listing engineering stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

CANADIANS

Table listing Canadian stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

ELECTRICALS

Table listing electrical stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

INSURANCES

Table listing insurance stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

BANKS, HP & LEASING

Table listing bank, HP, and leasing stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

INDUSTRIALS (Miscel.)

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AMERICANS - Contd

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DRAPERY AND STORES - Contd

Table listing drapery and stores stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

ENGINEERING - Contd

Table listing engineering stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.

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INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, Yield, P/E, and Volume.







CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar soft against D-Mark

DOUBTS WERE raised about the Federal Reserve's attitude towards the dollar as the US currency continued to weaken against the D-Mark yesterday. It had been assumed that the Fed was content to see the dollar slide to correct the US trade deficit, but the benefits will be limited unless there is a similar movement against the yen, and this is not happening at present.

The dollar fell below DM1.79 yesterday, but rose again to DM1.78 as the market took note of Monday's surprising action by the Fed to drain reserves from the New York banking system. There were no other surprises yesterday. As expected, the Fed added temporary liquidity, via two-day system repurchase agreements. Federal funds were trading at 8 1/2 per cent at the time, above the stable target level of 8 1/4 per cent. Monday's action appears to indicate that the target rate has not been lowered to 8 1/4 per cent, as suggested by Fed operations last week. This may indicate the US is still worried about inflation, in spite of a slowdown in the economy, and will not welcome further dollar weakness.

In nervous trading the dollar fell through a technical support point of DM1.79. This triggered stop loss selling, pushing

the currency down to DM1.7700 in New York about two hours after the London close. At the finish of trading in London the dollar had fallen to DM1.7670 from SF11.8045, and to FF16.1025 from FF16.1125, but had firmed to Y143.70 from Y143.35. According to the Bank of England the dollar's index rose to 69.2 from 69.1.

The D-Mark also advanced strongly against the yen and in late trading against the pound. The West German currency rose to Y80.41 from Y80.06 at the London close and advanced to Y80.85 later in New York.

Sterling closed unchanged at DM2.7825 in London, after benefiting from an earlier technical recovery which left it above DM2.80 for much of the day, touching a peak of DM2.8125 in New York. It fell to DM2.7825 however, but this was entirely a reflection of the D-Mark's strength. The pound closed in

London 20 points higher against the dollar at \$1.5635, rising to \$1.5700 soon after in New York. In terms of other major currencies sterling rose to Y224.50 from Y223.75, but fell to SF2.4925 from SF2.5050 and to FF2.5350 from FF2.5575. The pound's index rose 0.1 to 88.3.

The pound was not helped by comments made in Parliament by Mr John Major, the Chancellor. He told MPs all weapons must be used in the fight against inflation, and warned that the rise in mortgage rates would make the November inflation figure disappointing.

Movements in oil prices no longer have much impact on the pound, and there was no reaction to a weakening of North Sea oil news that Opec had reached agreement on higher production for the first half of 1990.

EURO-CURRENCY INTEREST RATES

Table with columns for currency (Sterling, US Dollar, etc.), term (3 months, 6 months, 1 year), and interest rate.

Loan rates: Sterling 8 1/4-8 1/2 per cent; US dollar 8 1/4-8 1/2 per cent; Euro 8 1/4-8 1/2 per cent.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing spot and forward rates for various currencies against the pound.

Commercial rates taken towards the end of London trading. Bid/ask rates are convertible francs. Financial time 50.00-50.00 51-month forward dollar 4.87-4.88 12 months 5.77-5.78

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing spot and forward rates for various currencies against the dollar.

Commercial rates taken towards the end of London trading. Bid/ask rates are convertible francs. Financial time 50.00-50.00 51-month forward dollar 4.87-4.88 12 months 5.77-5.78

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustments calculated by Financial Times.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

Table with columns for strike price, call/put, and price.

LIFFE 10Y TREASURY BOND FUTURES OPTIONS

Table with columns for strike price, call/put, and price.

LIFFE EURO-DOLLAR OPTIONS

Table with columns for strike price, call/put, and price.

LIFFE SHORT STERLING OPTIONS

Table with columns for strike price, call/put, and price.

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STERLING INDEX

Table showing Sterling Index values for various currencies.

CURRENCY MOVEMENTS

Table showing currency movements and percentage changes.

OTHER CURRENCIES

Table showing other currency rates and movements.

MONEY MARKETS

Late firmer tone

Interest rates rose slightly after the official London close, as sterling weakened again against the D-Mark. Three-month sterling interbank formed to 15 1/4-15 1/2 per cent, after finishing unchanged at 15 1/4-15 1/2 per cent. Earlier in the day there was no obvious reaction in London to a temporary improvement by sterling. D-Mark, three-month sterling interbank formed to 15 1/4-15 1/2 per cent, after finishing unchanged at 15 1/4-15 1/2 per cent.

UK clearing bank best lending rate

15 per cent from October 5

Short sterling futures opened firmer on Liffe. March delivery touched a peak of 85.79 as the pound rose, but then fell back to close just above the day's low at 85.69 and virtually unchanged on the day on lack of any optimism about lower interest rates. The Bank of England continued to keep credit conditions generally tight in London by not taking out the full underlying shortage. A small money market credit

shortage of £100m was forecast.

Late assistance of £10m was provided, but the authorities did not operate in the bill market.

Exchequer transactions drained £100m, with bank balances below target absorbing £60m. These factors slightly outweighed bills maturing outside official assistance and a take-up of Treasury bills adding a net £83m to liquidity, and fall in the note circulation of £15m. In Frankfurt dealers said any further change in the Bundesbank's official interest rates is unlikely for the rest of this year. The central bank's council meets on Thursday and is expected to have credit policies unchanged. The Bundesbank will also be able to give an indication of its attitude towards rates on the same day when two securities repurchase agreements totalling DM19bn expire. If these are replaced with a one-month pact at a fixed 7.30 per cent and a longer term agreement at variable rates, this would be taken as a signal that rates are to remain steady.

Call money fell to 7.20

7.20 per cent, suggesting that banks should have little difficulty in meeting the average reserve requirement of DM5.9bn for November. The average for the first 26 days of the month was DM5.8bn.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates.

MONEY RATES

Table showing money rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies.

BASE LENDING RATES

Table showing base lending rates for various banks.

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Table showing base lending rates for various banks.

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WORLD STOCK MARKETS

Table with columns for country (Australia, France, Germany, Italy, Sweden), date (November 28), and stock prices with percentage changes.

Table with columns for country (Japan), date (November 28), and stock prices with percentage changes.

Table with columns for country (Canada), date (November 28), and stock prices with percentage changes.

Table with columns for country (New York), date (November 28), and stock prices with percentage changes.

Table with columns for country (London), date (November 28), and stock prices with percentage changes.

Table with columns for country (Tokyo), date (November 28), and stock prices with percentage changes.

CANADA

Table with columns for country (Canada), date (November 28), and stock prices with percentage changes.

INDICES

Table with columns for index name (Dow Jones, Nikkei, etc.), date (Nov 28), and values.

Table with columns for country (Australia), date (November 28), and stock prices with percentage changes.

Table with columns for country (New York), date (November 28), and stock prices with percentage changes.

Table with columns for country (Tokyo), date (November 28), and stock prices with percentage changes.

Advertisement for 'Travelling on Business in France?' featuring a list of hotels in Paris, Toulouse, Bordeaux, Nice, Monaco, and Lyon, along with a small image of a newspaper.







NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for 12 Month High/Low, Div. Yld., P/E, and various stock symbols and prices.

NASDAQ NATIONAL MARKET

3pm prices November 29

Table of NASDAQ National Market prices with columns for 12 Month High/Low, Div. Yld., P/E, and various stock symbols and prices.

AMEX COMPOSITE PRICES

3pm prices November 29

Table of AMEX Composite Prices with columns for 12 Month High/Low, Div. Yld., P/E, and various stock symbols and prices.

Advertisement for Scandic Crown Hotel with text: 'It's attention to detail. Mac provides the Finest Tables in business...'



AMERICA

# Dow edges higher despite going back on defensive

Wall Street

AFTER Monday's surprising rally in blue chip issues, despite the confusion over whether the US Federal Reserve had eased monetary policy last week, the Dow Jones Industrial Average was back on the defensive yesterday, writes Janet Bush in New York.

The Dow fell about 10 points in early trading, but then

rebounded to show slight gains at mid-session. At 2 PM the Dow was up 1.06 at 2,696.03 in moderately active trading of 99m shares. The Dow rose 19.42 on Monday to 2,694.97, the highest close since the market's plunge of 190 points on October 13.

The most important aspect of the current market is the fact that the sharp rise in the Dow over the last few trading sessions has not been matched by other, broader and more representative indices such as the Standard & Poor's 500, which was virtually flat on Monday.

EUROPE

# Bonds and company news provide focus in thin day

TURNOVER was mostly lower on the Continent yesterday, with hours being a rather mixed day, with West Germany responding to a decline by bonds and other bourses focusing on a smattering of corporate news, writes Our Markets Staff.

FRANKFURT was rocked by a sharp fall in West German bond prices, but ended above its intra-day lows with the DAX index closing 3.97 down at 1,550.40. Volume fell from DM5.2bn to DM4.3bn.

Earlier, a steep decline in the West German bond futures contract traded on the London International Financial Futures Exchange (LIFFE) triggered selling in the German bond market; equities responded with the FAZ index closing 4.07 lower at 656.53 and the DAX losing more than 10 points at one stage.

However, the foreign investor seems to have come back in a limited way for recent favourites, such as Siemens, which rose DMI.40 to DM611.70, and Deutsche Bank, which was unchanged at DM656. These two topped the most active stocks list in turnover of DM649m and DM479m respectively, far ahead of other companies in the list.

At yesterday's mid-session, the S&P 500 was quoted only marginally higher, up 0.71 point at 946.32. The American Stock Exchange Index was 0.44 up at 374.48 and the Nasdaq Composite showing a marginal 0.22 point gain at 454.39.

The Dow had risen in the four previous sessions, piling on more than 50 points - an impressive showing given evidence of slowing economic growth and an interest rate policy clouded by uncertainty.

One of the encouraging factors for this advance was the widely held belief that the Fed had eased monetary policy by another notch last Wednesday, taking the target for Fed Funds to 6 1/2 per cent from 6 3/4 per cent. Draining operations on both Friday and Monday seriously undermined that belief and the Fed Funds rate retreated 3/4 per cent at yesterday's mid-session.

Some equity analysts attributed the relative stability of the stock market to confidence that, if there was no easing last week, there will be one soon which will finally induce commercial banks to lower their prime lending rates to 10 per cent from 10 1/2 per cent.

The Dow is hovering just below technical resistance at the 2,700 to 2,710 level which may make it difficult to make further progress.

Among featured issues was Chevron which fell 3 1/2 to \$66 1/2 as investors took profits

after the stock's 5 1/4 jump on Monday on news that the company had created an Employee Stock Ownership Plan to buy back 50m shares.

Dayton Hudson fell 1 1/4 to \$64 after Sanford C Bernstein, a respected brokerage, cut its investment rating on the stock to a hold.

Sea Containers added 5/8 to \$63 1/2 after the company announced that the Bermuda Supreme Court had cleared the way for its planned repurchase of common shares for \$70 a share. This is designed to fend off a hostile takeover by Temple Holdings.

Precious metals stocks continued to slide as the gold price fell further from last Friday's peaks. Newmont Gold slipped 5/8 to \$49 1/2 and Battle Mountain Gold dipped 5/8 to \$17 1/2.

Canada

QUIET trading featured again on the Toronto bourse amid continuing uncertainty over interest rates. The composite index lost 3.4 to 3,827.3 on volume of 13.7m shares. Declines led advances by 294 to 182.

Complex shares again dropped on speculation that it would not be able to find financing for a proposed takeover. Its shares fell 5/8 to C\$10 1/2.

Lac Minerals traded heavily, leading all issues with volume of 2m shares. Its shares rose C\$ 1/2 to C\$14 in an otherwise depressed gold market.

# Gold rally casts uneven gleam on equities

William Cochrane looks at stock market reaction in the wake of the recent price surge

THE GOLD price rally since October 6, which took bullion up by 18 per cent to more than \$420 an ounce before this week's correction, has sent wide, but disparate, ripples across the world's equity markets.

They extend to the Philippines, where there is mining enthusiasm and speculative capacity; West Germany, where Degussa has a gold refining operation; and Japan, where Sumitomo Metal Mining has risen by 32 per cent since the end of September.

However, in the sector's three main homes, North America, Australia and South Africa, the pattern of stock market response has varied widely, according to the mining team at Kleinwort Benson.

Over that period, the FT Gold Index (composed entirely of South African gold shares) rose by 44 per cent; Toronto's, the North American indicator, by 21 per cent; and Australian golds by only 7 per cent.

ASIA PACIFIC

# Nikkei rises to fifth consecutive record level

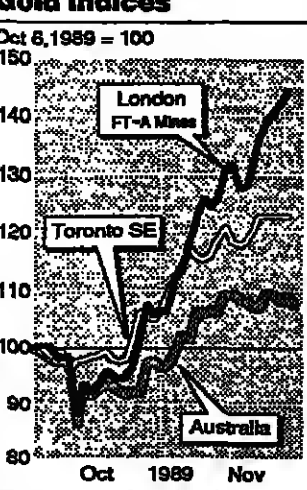
TAIWAN suffered its sharpest one-day fall ever as confidence vanished in the face of national and local elections on Saturday. The weighted index lost 547.98, or 5.7 per cent, to 9,040.09 - its lowest level since July 23.

Mr Huw Williams of the Kleinwort team, is that South Africans used to form the core gold holdings of international institutions; but they lost that status in 1985, when a state of emergency was declared and a two-tier system of exchange rates for foreign investors was introduced. Now they are marginal, trading stocks according to some, and volatile in consequence.

That volatility has paid off, possibly for US investors who were back in force in that market last week. South African names such as Doornfontein, Unisel and Kinross have seen rises of 79, 65 and 51 per cent respectively over the seven weeks of the rally.

The North Americans, once mostly Canadian, now tend to be US-aligned at the big end of the market. Names such as Newmont, up 36 per cent since the rally, and American Barrick, up 28 per cent, have taken over the core holding role from the South Africans, along with some of the bigger Australian companies.

Gold indices



However, the age-old game of speculating in the margins persists: Galactic and Pegasus top Kleinwort's North American list, with rises of 45 and 39 per cent respectively. Galactic, notes Mr Williams, looked to be coming towards the end of

its useful life a few months ago, and Pegasus is a very high cost operation; but a sustained increase in the bullion price changes the economics at the margin.

Australians, meanwhile, say that on a rise in the gold price, international investors always look at Canada and South Africa first. Australia is associated with a producers' tendency to sell the metal forward and even out the swings in bullion prices - even though some of these contracts allow the miners to get the benefits of higher prices eventually.

not moving as it did when leader of the Australian nickel boom in the late 1980s; reborn and hugely expanded as a gold mining arm of the Perth entrepreneur, Mr Robert Champion de Crespigny, it is having a rights issue and taking the stock market consequences.

Even in Poselidon, says one observer, the game was there if you looked for it. At one stage in the bullion rally, the rights themselves rose from 35 cents a share to 81 cents.

Tokyo

A LATE wave of buying easily wiped out earlier hesitation in the face of higher prices, and led equities to a fifth consecutive record on robust volume yesterday, writes Michio Nakamoto in Tokyo.

After four days of highs, share prices appeared at first to be losing their momentum, and drifted moderately lower. Activity, particularly by index funds, picked up later to blow away the sluggishness and lift the Nikkei 103.77 points to just below the 37,000 level at a record 36,955.30. The day's high was only slightly above that at 36,987.18 and the low was 36,825.58.

Roundup

IT WAS a mixed day in the Asia Pacific region, with markets focusing on individual concerns. This falling bullion price knocked Australia, while

Singapore's winning streak continued.

AUSTRALIA was discouraged by a fall in the gold price and the strength of the local dollar, and profit-taking pushed share prices lower. The All Ordinaries index lost 13.8 to 1,600.4, its lowest level since July 20, on volume of 133m shares worth A\$231m, well up on Monday's 91m and A\$146m.

Stock Exchange said it had asked Bond Media to explain the fall in its share price.

NEW ZEALAND made a slight rise, with the Barclays index up 1.48 at 2,063.61 in trading boosted by a large block of Goodman Fielder Wattie shares. Volume was 34m shares worth NZ\$78m, compared with Monday's 6m shares worth NZ\$10m. Yesterday's figure included 26.1m Goodman Fielder shares worth NZ\$66.6m, with 25m, or 2.5 per cent of the company's issued shares, sold in one off-market parcel at NZ\$2.57. The stock added 2 cents to NZ\$2.65.

SINGAPORE rose for the sixth session in a row, although profit-taking restricted gains. The Straits Times Industrial Index added 10.41 to 1,404.06, although there were as many declining shares as advancing ones.

HONG KONG declined again in the thinnest volume for five weeks. The Hang Seng index lost 17.02 to 2,750.08 on turnover of HK\$656m, down from HK\$945m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 27 1989					FRIDAY NOVEMBER 24 1989					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change %	Gross Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)	
Australia (85)	145.23	+0.0	137.98	123.11	-0.2	5.52	145.29	137.98	123.31	190.41	128.28	147.13	
Austria (81)	147.66	+0.0	140.25	137.06	+0.5	1.77	145.74	138.29	138.59	172.22	82.84	97.94	
Belgium (53)	147.82	+0.7	140.25	137.06	-0.1	4.04	146.55	138.06	137.16	147.62	125.58	133.55	
Canada (122)	148.97	-0.1	141.53	129.89	-0.1	3.23	149.06	141.44	126.02	154.17	124.87	120.45	
Denmark (36)	231.98	+0.6	220.40	219.20	-0.3	1.44	230.49	216.71	218.91	221.96	165.35	152.29	
Finland (25)	112.50	-0.4	112.50	109.23	-0.5	2.78	119.32	113.22	105.73	153.18	116.83	134.29	
France (126)	138.26	+1.1	131.36	132.57	+0.3	2.80	136.77	129.77	132.18	139.94	112.57	110.20	
West Germany (96)	103.78	+1.9	98.60	98.57	+0.8	2.16	102.13	98.90	96.84	103.84	79.56	88.98	
Hong Kong (48)	117.35	-1.4	111.49	117.67	-1.4	4.84	118.98	112.98	119.31	140.33	83.41	93.46	
Ireland (17)	122.76	+0.0	154.64	152.54	+0.1	2.95	161.18	152.93	155.39	168.89	125.00	131.11	
Italy (97)	92.60	+0.7	87.97	91.37	+0.0	2.50	91.97	87.26	91.37	96.73	74.97	84.59	
Japan (455)	193.11	+1.5	183.47	174.98	+1.4	0.48	190.25	180.53	172.52	200.11	184.22	198.00	
Malaysia (36)	203.22	+0.3	193.07	211.40	+0.2	2.51	202.54	192.18	210.93	208.22	143.35	140.06	
Mexico (13)	287.54	-0.1	273.19	334.69	+0.3	0.62	287.89	273.17	339.56	326.61	153.39	182.24	
Netherlands (43)	131.13	+1.4	124.58	120.75	+0.5	4.40	129.32	122.70	120.20	131.72	110.63	109.04	
New Zealand (16)	74.84	-0.1	71.11	97.48	-0.3	5.29	74.94	71.11	97.71	88.18	62.64	70.34	
Norway (24)	173.55	+0.3	164.88	161.08	-0.1	1.68	172.97	164.13	161.17	198.39	139.92	126.84	
Singapore (26)	163.20	+0.1	155.05	146.91	+0.0	2.04	163.24	154.98	148.51	166.66	112.79	110.02	
South Africa (60)	152.00	+0.7	163.41	149.49	-0.4	3.83	173.29	164.45	160.02	173.29	115.35	126.85	
Spain (43)	158.49	+1.1	150.58	138.03	+0.5	3.79	158.76	148.74	137.45	169.75	143.14	182.12	
Sweden (35)	163.70	+1.1	155.53	154.97	+0.7	2.21	161.98	153.70	153.95	189.94	138.45	133.76	
Switzerland (64)	89.85	+0.6	85.46	89.48	+0.2	2.11	89.17	84.81	85.41	94.16	67.61	78.98	
United Kingdom (305)	118.91	+0.0	134.54	136.54	+0.1	4.57	119.55	134.41	136.41	158.41	133.28	136.87	
USA (546)	140.27	+0.4	133.26	140.27	+0.4	3.31	139.64	132.50	139.64	148.29	112.13	108.44	
Europe (954)	127.47	+0.7	121.11	120.06	+0.3	3.50	126.81	120.14	119.74	132.95	112.63	114.00	
Nordic (121)	168.12	+0.7	159.72	152.41	+0.1	1.87	168.69	158.36	152.23	178.38	137.95	129.76	
Pacific Basin (668)	188.31	+1.4	178.91	170.64	+1.3	0.71	185.73	178.23	168.42	194.72	160.44	161.27	
Euro-Pacific (1662)	164.05	+1.2	158.88	160.42	+1.0	1.59	162.16	153.97	148.98	168.98	141.58	154.35	
North America (656)	140.98	+0.4	133.56	139.36	+0.4	3.51	140.10	132.84	130.78	146.65	112.79	110.02	
Europe Ex. UK (889)	117.83	+1.2	111.76	111.10	+0.4	2.79	116.29	110.34	110.68	118.51	85.30	99.54	
Pacific Ex. Japan (213)	130.85	-0.4	124.32	117.04	-0.5	4.93	131.40	124.68	117.63	140.05	111.93	124.98	
World Ex. US (1857)	183.68	+1.1	156.51	149.81	+0.9	1.86	181.89	153.61	148.41	188.35	141.49	152.91	
World Ex. UK (2098)	153.52	+0.9	147.78	147.74	+0.6	1.97	154.01	146.13	146.51	155.04	136.98	136.16	
World Ex. So. At. (234)	151.81	+0.9	146.45	146.45	+0.8	2.17	152.76	146.95	146.95	152.92	136.87	136.29	
World Ex. Japan (1948)	135.76	+0.6	128.98	131.81	+0.3	3.44	135.14	128.23	131.40	140.43	114.51	112.28	
The World Index (2403)	154.25	+0.9	146.55	148.49	+0.8	2.19	152.98	145.07	145.36	155.89	136.68	136.23	

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